

**DATED JANUARY 6, 2025**

**NEW ISSUE**

**Electronic Bidding via Parity®  
NOT Bank Interest Deduction Eligible  
BOOK-ENTRY-ONLY SYSTEM**

**RATING  
Moody's: " "**

*In the opinion of Bond Counsel, under existing law (i) interest on the Bonds will be excludable from gross income of the holders thereof for purposes of federal taxation and (ii) interest on the Bonds will not be a specific item of tax preference for purposes of the federal alternative minimum tax; however, with respect to certain corporations, interest on the Bonds is taken into account in determining the annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. All subject to the qualifications described herein under the heading "Tax Exemption." The Bonds and interest thereon are exempt from income taxation and ad valorem taxation by the Commonwealth of Kentucky and political subdivisions thereof (see "Tax Exemption" herein)*

**\$10,475,000\***  
**RUSSELL COUNTY SCHOOL DISTRICT FINANCE CORPORATION  
SCHOOL BUILDING REVENUE BONDS,  
SERIES OF 2025**

**Dated with Delivery: FEBRUARY 4, 2025**

**Due: as shown below**

Interest on the Bonds is payable each February 1 and August 1, beginning August 1, 2025. The Bonds will mature as to principal on February 1, 2026, and thereafter as shown below. The Bonds are being issued in Book-Entry-Only Form and will be available for purchase in principal amounts of \$5,000 and integral multiples thereof.

| Maturing |           | Interest | Reoffering |       | Maturing |             | Interest | Reoffering |       |
|----------|-----------|----------|------------|-------|----------|-------------|----------|------------|-------|
| 1-Feb    | Amount*   | Rate     | Yield      | CUSIP | 1-Feb    | Amount*     | Rate     | Yield      | CUSIP |
| 2026     | \$125,000 | %        | %          |       | 2036     | \$480,000   | %        | %          |       |
| 2027     | \$125,000 | %        | %          |       | 2037     | \$495,000   | %        | %          |       |
| 2028     | \$135,000 | %        | %          |       | 2038     | \$515,000   | %        | %          |       |
| 2029     | \$185,000 | %        | %          |       | 2039     | \$535,000   | %        | %          |       |
| 2030     | \$195,000 | %        | %          |       | 2040     | \$725,000   | %        | %          |       |
| 2031     | \$200,000 | %        | %          |       | 2041     | \$750,000   | %        | %          |       |
| 2032     | \$210,000 | %        | %          |       | 2042     | \$780,000   | %        | %          |       |
| 2033     | \$220,000 | %        | %          |       | 2043     | \$945,000   | %        | %          |       |
| 2034     | \$225,000 | %        | %          |       | 2044     | \$1,420,000 | %        | %          |       |
| 2035     | \$425,000 | %        | %          |       | 2045     | \$1,785,000 | %        | %          |       |

The Bonds are subject to redemption prior to their stated maturity.

Notwithstanding the foregoing, the Corporation reserves the right to call, upon thirty (30) days notice, the Bonds in whole or in part on any date for redemption upon the total destruction by fire, lightning, windstorm or other hazard of any of the building(s) constituting the Project(s) and apply casualty insurance proceeds to such purpose.

The Bonds constitute a limited indebtedness of the Russell County School District Finance Corporation and are payable from and secured by a pledge of the gross income and revenues derived by leasing the Project (as hereinafter defined) on an annual renewable basis to the Russell County Board of Education.

The Russell County (Kentucky) School District Finance Corporation will until January 14, 2025, at 11:00 A.M., E.S.T., receive competitive bids for the Bonds at the office of the Executive Director of the Kentucky School Facilities Construction Commission, 200 Mero Street - 5<sup>th</sup> Floor, Frankfort, Kentucky 40622.

**\*As set forth in the "Official Terms and Conditions of Bond Sale," the principal amount of Bonds sold to the successful bidder is subject to a Permitted Adjustment by increasing or decreasing the amount not to exceed \$1,050,000.**

**PURCHASER'S OPTION:** The Purchaser of the Bonds, within 24 hours of the sale, may specify to the Municipal Advisor that any Bonds may be combined immediately succeeding sequential maturities into a Term Bond(s), bearing a single rate of interest, with the maturities set forth above (or as may be adjusted as provided herein) being subject to mandatory redemption in such maturities for such Term Bond(s).

The Bonds will be delivered utilizing the BOOK-ENTRY-ONLY-SYSTEM administered by The Depository Trust Company.

The Corporation deems this preliminary Official Statement to be final for purposes of the Securities and Exchange Commission Rule 15c2-12(b)(1), except for certain information on the cover page hereof which has been omitted in accordance with such Rule and which will be supplied with the final Official Statement.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sales of these Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the laws of any such jurisdiction.



**RUSSELL COUNTY  
BOARD OF EDUCATION**

Richard Kazsuk, Chairperson  
Brenda Higginbotham, Member  
Eric Selby, Member  
Joy Wilson, Member  
Gerald Murray, Member

Michael Ford, Superintendent/Secretary

**RUSSELL COUNTY (KENTUCKY) SCHOOL DISTRICT  
FINANCE CORPORATION**

Richard Kazsuk, President  
Brenda Higginbotham, Member  
Eric Selby, Member  
Joy Wilson, Member  
Gerald Murray, Member

Michael Ford, Secretary  
Marla Carnes, Treasurer

**BOND COUNSEL**

Steptoe & Johnson PLLC  
Louisville, Kentucky

**MUNICIPAL ADVISOR**

RSA Advisors, LLC  
Lexington, Kentucky

**PAYING AGENT AND REGISTRAR**

U.S. Bank Trust Company, National Association  
Louisville, Kentucky

**BOOK-ENTRY-ONLY-SYSTEM**

## **REGARDING USE OF THIS OFFICIAL STATEMENT**

This Official Statement does not constitute an offering of any security other than the original offering of the Russell County School District Finance Corporation School Building Revenue Bonds, Series of 2025, identified on the cover page hereof. No person has been authorized by the Corporation or the Board to give any information or to make any representation other than that contained in the Official Statement, and if given or made such other information or representation must not be relied upon as having been given or authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation or the Board since the date hereof.

Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency, except the Corporation will pass upon the accuracy or adequacy of this Official Statement or approve the Bonds for sale.

The Official Statement includes the front cover page immediately preceding this page and all Appendices hereto.

TABLE OF CONTENTS

Page

Introduction . . . . . 1  
Book-Entry-Only System . . . . . 1  
The Corporation . . . . . 3  
Kentucky School Facilities Construction Commission;  
    No Participation in This Issue . . . . . 3  
Biennial Budget for Period Ending June 30, 2026 . . . . . 4  
Outstanding Bonds . . . . . 4  
Authority . . . . . 4  
The Bonds . . . . . 5  
    General . . . . . 5  
    Registration, Payment and Transfer . . . . . 5  
    Redemption . . . . . 5  
Security . . . . . 5  
    General . . . . . 5  
    The Lease; Pledge of Rental Revenues . . . . . 6  
    Authorization of General Obligation Bonds . . . . . 6  
State Intercept . . . . . 6  
Additional Parity Bonds . . . . . 6  
The Project . . . . . 6  
Kentucky Department of Education Supervision . . . . . 7  
Estimated Bond Debt Service . . . . . 7  
Estimated Use of Bond Proceeds . . . . . 8  
District Student Population . . . . . 8  
State Support of Education . . . . . 8  
    Support Education Excellence in Kentucky (SEEK) . . . . . 8  
    Capital Outlay Allotment . . . . . 9  
    Facilities Support Program of Kentucky . . . . . 9  
Local Support . . . . . 10  
    Homestead Exemption . . . . . 10  
    Limitation on Taxation . . . . . 10  
    Local Thirty Cents Minimum . . . . . 10  
    Additional 15% Not Subject to Recall . . . . . 10  
    Assessment Valuation . . . . . 10  
    Special Voted and Other Local Taxes . . . . . 10  
    Local Tax Rates, Property Assessments  
    and Revenue Collections . . . . . 11  
Overlapping Bond Indebtedness . . . . . 11  
SEEK Allotment . . . . . 12  
State Budgeting Process . . . . . 12  
Potential Legislation . . . . . 13  
Continuing Disclosure . . . . . 13  
Tax Exemption; Not Bank Qualified . . . . . 13  
    Original Issue Premium . . . . . 14  
    Original Issue Discount . . . . . 14  
Absence of Material Litigation . . . . . 14  
Approval of Legality . . . . . 15  
No Legal Opinion Expressed as to Certain Matters . . . . . 15  
Bond Rating . . . . . 15  
Municipal Advisor . . . . . 15  
Approval of Official Statement . . . . . 15  
Demographic and Economic Data . . . . . APPENDIX A  
Financial Data . . . . . APPENDIX B  
Continuing Disclosure Agreement . . . . . APPENDIX C  
Official Terms & Conditions of Bond Sale . . . . . APPENDIX D  
Official Bid Form . . . . . APPENDIX E

**OFFICIAL STATEMENT  
Relating to the Issuance of**

**\$10,475,000\***

**RUSSELL COUNTY SCHOOL DISTRICT FINANCE CORPORATION  
SCHOOL BUILDING REVENUE BONDS,  
SERIES OF 2025**

*\*Subject to Permitted Adjustment*

**INTRODUCTION**

The purpose of this Official Statement, which includes the cover page and Appendices hereto, is to set forth certain information pertaining to the Russell County School District Finance Corporation (the "Corporation") School Building Revenue Bonds, Series of 2025 (the "Bonds").

The Bonds are being issued to finance improvements to Russell County High School (the "Project").

The Bonds are revenue bonds and constitute a limited indebtedness of the Corporation. The Bonds will be secured by a statutory mortgage lien and a pledge of the rental income derived by the Corporation from leasing the school building Projects (as hereinafter defined) to the Russell County Board of Education (the "Board") on a year to year basis (see "Security" herein).

All financial and other information presented in this Official Statement has been provided by the Russell County Board of Education from its records, except for information expressly attributed to other sources. The presentation of financial and other information is not intended, unless specifically stated, to indicate future or continuing trends in the financial position or other affairs of the Board. No representation is made that past experience, as is shown by financial and other information, will necessarily continue or be repeated in the future.

This Official Statement should be considered in its entirety, and no one subject discussed should be considered more or less important than any other by reason of its location in the text. Reference should be made to laws, reports or other documents referred to in this Official Statement for more complete information regarding their contents.

Copies of the Bond Resolution authorizing the issuance of the Bonds and the Lease Agreement, dated February 4, 2025, may be obtained at the office of Steptoe & Johnson PLLC, Bond Counsel, 700 N. Hurstbourne Parkway, Suite 115, Louisville, Kentucky 40222.

**BOOK-ENTRY-ONLY-SYSTEM**

The Bonds shall utilize the Book-Entry-Only-System administered by The Depository Trust Company ("DTC").

The following information about the Book-Entry only system applicable to the Bonds has been supplied by DTC. Neither the Corporation nor the Paying Agent and Registrar makes any representations, warranties or guarantees with respect to its accuracy or completeness.

DTC will act as securities depository for the Bonds. The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry

transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent and Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation or the Paying Agent and Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC or its nominee, the Paying Agent and Registrar or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Paying Agent and Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice the Corporation or the Paying Agent and Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered. The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's Book-Entry system has been obtained from sources that the Corporation believes to be reliable but the Corporation takes no responsibility for the accuracy thereof.

### **THE CORPORATION**

The Corporation has been formed in accordance with the provisions of Sections 162.120 through 162.300 and Section 162.385 of the Kentucky Revised Statutes ("KRS"), and KRS Chapter 273 and KRS 58.180, as a non-profit, non-stock corporation for the purpose of financing necessary school building facilities for and on behalf of the Board. Under the provisions of existing Kentucky law, the Corporation is permitted to act as an agency and instrumentality of the Board for financing purposes and the legality of the financing plan to be implemented by the Board herein referred to has been upheld by the Kentucky Court of Appeals (Supreme Court) in the case of White v. City of Middlesboro, Ky. 414 S.W.2d 569.

Any bonds, notes or other indebtedness issued or contracted by the Corporation shall, prior to the issuance or incurrence thereon, be specifically approved by the Board. The members of the Board of Directors of the Corporation are the members of the Board. Their terms expire when they cease to hold the office and any successor members of the Board are automatically members of the Corporation upon assuming their public offices.

### **KENTUCKY SCHOOL FACILITIES CONSTRUCTION COMMISSION; NO PARTICIPATION IN THIS ISSUE**

The Kentucky School Facilities Construction Commission (the "Commission") is an independent corporate agency and instrumentality of the Commonwealth of Kentucky established pursuant to the provisions of KRS Sections 157.611 through 157.640, as amended, repealed and reenacted (the "Act") for the purpose of assisting local school districts in meeting the school construction needs of the Commonwealth in a manner which will ensure an equitable distribution of funds based upon unmet need.

The General Assembly of the Commonwealth adopted the State's Budget for the fiscal year ending June 30, 2026. Inter alia, the Budget provides \$116,928,400 in FY 23024-25 and \$126,269,500 in FY 2025-2026 to pay debt service on existing and future bond issues. There are \$75,900,000 of the Commission's previous Offers of Assistance made during the last biennium. It authorizes \$85,000,000 in additional Offers of Assistance for the current biennium to be funded in the Budget for the biennium ending June 30, 2026.

The 2000, 2003, 2005, 2006, 2008, 2010, 2012, 2014, 2016, 2018, 2020, 2022, and 2024 Regular Sessions of the Kentucky General Assembly appropriated funds to be used for new debt service of participating school districts. The appropriations for each biennium are shown in the following table:

| <u>Biennium</u> | <u>Appropriation</u> |
|-----------------|----------------------|
| 2000-02         | 8,100,000            |
| 2002-04         | 9,500,000            |
| 2004-06         | 14,000,000           |
| 2006-08         | 9,000,000            |
| 2008-10         | 10,968,000           |
| 2010-12         | 12,656,200           |
| 2012-14         | 8,469,200            |
| 2014-16         | 8,764,000            |
| 2016-18         | 23,019,400           |
| 2018-20         | 7,608,000            |
| 2020-22         | 2,946,900            |
| 2022-24         | 5,305,300            |
| <u>2024-26</u>  | <u>22,280,000</u>    |
| Total           | \$142,617,000        |

In addition to the appropriations for new financings as shown, appropriations subsequent to that for 2000 included additional funds to continue to meet the annual debt requirements for all bond issues involving Commission participation issued in prior years.

## BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2026

The Kentucky General Assembly is required by the Kentucky Constitution to adopt measures providing for the state's revenues and appropriations for each fiscal year. The Governor is required by law to submit a biennial State Budget (the "State Budget") to the General Assembly during the legislative session held in each even numbered year. State Budgets have generally been adopted by the General Assembly during those legislative sessions, which end in mid-April, to be effective upon the Governor's signature for appropriations commencing for a two-year period beginning the following July 1.

In the absence of a legislatively enacted budget, the Supreme Court has ruled the Governor has no authority to spend money from the state treasury except where there is a statutory, constitutional or federal mandate and the Commonwealth may be prevented from expending funds for certain state governmental functions, including the ability to pay principal of, premium, if any, and interest, when due, on obligations that are subject to appropriation.

The General Assembly adopted a budget for the biennial period ending June 30, 2026 which was approved and signed recently by the Governor. Such budget becomes effective July 1, 2024.

The Office of the State Budget Director makes available on its website monthly updates to the General Fund receipts and other Funds of the commonwealth. When published, the updates can be found at [www.osbd.ky.gov](http://www.osbd.ky.gov).

### OUTSTANDING BONDS

The following table shows the outstanding Bonds of the Board by the original principal amount of each issue, the current principal outstanding, the amount of the original principal scheduled to be paid with the corresponding interest thereon by the Board or the School Facilities Construction Commission, the approximate interest range; and, the final maturity date of the Bonds:

| Bond Series    | Original Principal  | Current Principal Outstanding | Principal Assigned to Board | Principal Assigned to Commission | Approximate Interest Rate Range | Final Maturity |
|----------------|---------------------|-------------------------------|-----------------------------|----------------------------------|---------------------------------|----------------|
| 2011-REF       | \$5,940,000         | \$840,000                     | \$5,692,604                 | \$247,396                        | 3.500%                          | 2025           |
| 2013-REF       | \$4,840,000         | \$520,000                     | \$4,806,339                 | \$33,661                         | 2.050%                          | 2025           |
| 2014           | \$10,875,000        | \$10,575,000                  | \$10,875,000                | \$0                              | 3.000% - 4.000%                 | 2034           |
| 2015           | \$1,640,000         | \$1,550,000                   | \$1,640,000                 | \$0                              | 2.500% - 3.500%                 | 2035           |
| 2015-REF       | \$2,060,000         | \$420,000                     | \$1,758,182                 | \$301,818                        | 2.500%                          | 2026           |
| 2016-REF       | \$5,935,000         | \$2,645,000                   | \$5,935,000                 | \$0                              | 2.250%                          | 2027           |
| 2019           | \$11,060,000        | \$10,685,000                  | \$9,197,969                 | \$1,862,031                      | 3.000% - 3.750%                 | 2039           |
| 2023           | \$12,240,000        | \$12,180,000                  | \$12,240,000                | \$0                              | 4.000% - 4.125%                 | 2043           |
| 2023B          | \$3,975,000         | \$3,975,000                   | \$3,975,000                 | \$0                              | 3.500% - 4.000%                 | 2044           |
| <b>TOTALS:</b> | <b>\$58,565,000</b> | <b>\$43,390,000</b>           | <b>\$56,120,094</b>         | <b>\$2,444,906</b>               |                                 |                |

### AUTHORITY

The Board of Directors of the Corporation has adopted a Bond Resolution which authorized among other things:

- i) the issuance of approximately \$10,475,000 of Bonds subject to a permitted adjustment of \$1,050,000;
- ii) the advertisement for the public sale of the Bonds;
- iii) the Official Terms and Conditions for the sale of the Bonds to the successful bidder; and,
- iv) the President and Secretary of the Corporation to execute certain documents relative to the sale and delivery of the Bonds.



## THE BONDS

### General

The Bonds will be dated February 4, 2025, will bear interest from that date as described herein, payable semi-annually on February 1 and August 1 of each year, commencing August 1, 2025, and will mature as to principal on February 1, 2026, and thereafter in the years and in the principal amounts as set forth on the cover page of this Official Statement.

### Registration, Payment and Transfer

The Bonds are to be issued in fully-registered form (both principal and interest). U.S. Bank Trust Company, National Association, Louisville, Kentucky, the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to Cede & Co., as the nominee of The Depository Trust Company. Please see Book-Entry-Only-System. Interest on the Bonds will be paid at rates to be established upon the basis of competitive bidding as hereinafter set forth, such interest to be payable on February 1 and August 1 of each year, beginning August 1, 2025 (Record Date is 15th day of month preceding interest due date).

### Redemption

The Bonds maturing on or after February 1, 2034, are subject to redemption at the option of the Corporation prior to their stated maturity on any date falling on or after February 1, 2033, in any order of maturities (less than all of a single maturity to be selected by lot), in whole or in part, upon notice of such prior redemption being given by the Paying Agent in accordance with DTC requirements not less than thirty (30) days prior to the date of redemption, upon terms of the face amount, plus accrued interest, but without redemption premium.

| Redemption Date                  | Redemption Price |
|----------------------------------|------------------|
| February 1, 2033, and thereafter | 100%             |

Notwithstanding the foregoing, the Corporation reserves the right, upon thirty (30) days notice, to call the Bonds in whole or in part on any date at par for redemption upon the total destruction by fire, lightning, windstorm or other hazard of any building constituting the Project and apply casualty insurance proceeds to such purpose.

## SECURITY

### General

The Bonds are revenue bonds and constitute a limited indebtedness of the Corporation. The Bonds are payable as to both principal and interest solely from the income and revenues derived from the leasing of the school building Projects financed from the Bond proceeds from the Corporation to the Board. The Bonds are secured by a statutory mortgage lien on and pledge of revenue from the school building Project; provided, however, said lien and pledge are on parity with a similar lien and pledge securing the Corporation's School Building Revenue Bonds previously issued to finance or refinance the school building(s) to which the school building Project relates (the "Parity Bonds"). Should the Board default in its obligations under the Lease or fail to renew the Lease, the Registered Owners of Bonds have the right to have a receiver appointed to administer the school building Project but foreclosure and sale are not available as remedies.

## **The Lease; Pledge of Rental Revenues**

The Board has leased the school building Project securing the Bonds for an initial period from February 4, 2025, through June 30, 2025, with the option in the Board to renew said Lease from year to year for one year at a time, at annual rentals, sufficient in each year to enable the Corporation to pay, solely from the rental due under the Lease, the principal and interest on all of the Bonds as same become due. The Lease provides further that so long as the Board exercises its annual renewal options, its rentals will be payable according to the terms and provisions of the Lease until February 1, 2045, the final maturity date of the Bonds. Under the lease, the Corporation has pledged the rental revenue to the payment of the Bonds.

## **Authorization of General Obligation Bonds**

The Kentucky Legislature recently passed and the Governor signed HB 727 which authorizes Kentucky Boards of Education to issue general obligation bonds within certain limitations prescribed by Kentucky law. The Board does not currently have any specific plan to issue general obligation bonds. Issuance by the Board of general obligation debt in the future would not affect either the Board's obligation to make lease payments to the Corporation for payment of debt service on the Bonds or the security for the Bonds.

## **STATE INTERCEPT**

Under the terms of the Lease and any renewal thereof, so long as the Bonds remain outstanding and in conformance with the intent and purpose of KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under the Lease, and unless sufficient funds have been transmitted to the Paying Agent, or will be so transmitted, for paying said rentals when due, the Board has granted under the terms of the Lease to the Corporation the right to notify and request the Kentucky Department of Education to withhold from the Board a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board and to request said Department or Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

## **ADDITIONAL PARITY BONDS**

The Corporation has reserved the right and privilege of issuing additional bonds from time to time payable from the income and revenues of said lands and school building Project and secured by a statutory mortgage lien and pledge of revenues, but only if and to the extent the issuance of such additional parity bonds are in accordance with plans and specifications approved by the Board, Commissioner of Education, and filed in the office of the Secretary of the Corporation and a Lease shall be entered into whereunder the annual rental payments during the life of such additional bonds shall be increased by the amount of the annual principal and interest requirements of such additional bonds.

## **THE PROJECT**

After payment of the Bond issuance costs, the Board plans to deposit the net Bond proceeds to finance improvements to Russell County High School (the "Project").

The Board has reported construction bids have been let for the Project and award of the construction contract is expected prior to the sale and delivery of the Bonds.

Contractors for the Project are required to furnish to the Board a one hundred percent completion bond to assure their performance of the construction contract.

**KENTUCKY DEPARTMENT OF EDUCATION SUPERVISION**

Kentucky statutes, and the regulations of the Kentucky Department of Education ("KDE") issued there-under, generally require that a local school district submit to KDE for its prior approval the district's plans for the funding, financing, design, construction, renovation, and modification of school facilities. House Bill 678 of the 2022 Regular Session of the Kentucky General Assembly (2022 Ky. Acts, Ch. 185, hereinafter referred to as "HB 678"), enacted and effective April 8, 2022, eliminated until June 30, 2024 this requirement of prior approval for local school districts which elect by resolution to proceed without such prior approval and which so notify the Department. The District has adopted such a resolution and has so notified KDE. House Bill 727 of the 2024 Regular Session of the Kentucky General Assembly (2024 Ky Acts, Ch 126. Hereinafter re-ferred to as "HB 727"), enacted and effective April 9, 2024, extended the provisions of HB 678 through June 30, 2027.

Notwithstanding HB 679, and HB 727, KDE's supervision of local school districts continues to apply other areas of local school finance, including supervision of general operations such as the examination of business methods and accounts of a school district, requirements of prompt, detailed reports of receipts and expenditures and the annual approval of the district's operating budget. All local school boards which have entered into contracts for the issuance of bonds must maintain insurance protection in an amount equal to the full insurable value of the buildings financed by the bonds. This State Department of Education supervision and control is believed to be a major contribution toward the maintenance of Kentucky's perfect record of no defaults in payment of its revenue bonds for school purposes.

**ESTIMATED BOND DEBT SERVICE**

The following table shows by fiscal year the current bond payments of the Board. The plan of financing provides for the Board to meet 100% of the debt service of the Bonds.

| <b>Fiscal Year Ending June 30</b> | <b>Current Local Bond Payments</b> | <b>School Building Revenue Bonds, Series 2025 (100% Local)</b> |                         |                      | <b>Total Restricted Fund Bond Payments</b> |
|-----------------------------------|------------------------------------|--|-------------------------|----------------------|--|
|                                   |                                    | <b>Principal Portion</b>                                       | <b>Interest Portion</b> | <b>Total Payment</b> |  |
| 2025                              | \$3,633,436                        |  |                         |                      | \$3,633,436                                |
| 2026                              | \$3,618,342                        | \$125,000  | \$419,481               | \$544,481            | \$4,162,823                                |
| 2027                              | \$3,618,078                        | \$125,000  | \$418,006               | \$543,006            | \$4,161,084                                |
| 2028                              | \$3,614,916                        | \$135,000  | \$413,006               | \$548,006            | \$4,162,922                                |
| 2029                              | \$3,483,410                        | \$185,000  | \$407,606               | \$592,606            | \$4,076,017                                |
| 2030                              | \$3,485,776                        | \$195,000  | \$400,206               | \$595,206            | \$4,080,982                                |
| 2031                              | \$3,483,295                        | \$200,000  | \$392,406               | \$592,406            | \$4,075,702                                |
| 2032                              | \$3,480,866                        | \$210,000  | \$384,406               | \$594,406            | \$4,075,272                                |
| 2033                              | \$3,479,854                        | \$220,000  | \$376,006               | \$596,006            | \$4,075,860                                |
| 2034                              | \$3,483,042                        | \$225,000  | \$367,206               | \$592,206            | \$4,075,248                                |
| 2035                              | \$2,966,517                        | \$425,000  | \$358,206               | \$783,206            | \$3,749,723                                |
| 2036                              | \$2,861,666                        | \$480,000  | \$341,206               | \$821,206            | \$3,682,872                                |
| 2037                              | \$2,865,396                        | \$495,000  | \$322,006               | \$817,006            | \$3,682,402                                |
| 2038                              | \$2,864,329                        | \$515,000  | \$302,206               | \$817,206            | \$3,681,535                                |
| 2039                              | \$2,865,737                        | \$535,000  | \$281,606               | \$816,606            | \$3,682,343                                |
| 2040                              | \$2,409,788                        | \$725,000  | \$260,206               | \$985,206            | \$3,394,994                                |
| 2041                              | \$2,408,188                        | \$750,000  | \$231,206               | \$981,206            | \$3,389,394                                |
| 2042                              | \$2,408,388                        | \$780,000  | \$201,206               | \$981,206            | \$3,389,594                                |
| 2043                              | \$2,048,025                        | \$945,000  | \$170,006               | \$1,115,006          | \$3,163,031                                |
| 2044                              | \$838,206                          | \$1,420,000  | \$132,206               | \$1,552,206          | \$2,390,413                                |
| 2045                              |                                    | \$1,785,000  | \$73,631                | \$1,858,631          | \$1,858,631                                |
| <b>TOTALS:</b>                    | <b>\$59,917,254</b>                | <b>\$10,475,000</b>  | <b>\$6,252,025</b>      | <b>\$16,727,025</b>  | <b>\$76,644,279</b>                        |

Notes: Numbers are rounded to the nearest \$1.00

**ESTIMATED USE OF BOND PROCEEDS**

The table below shows the estimated sources of funds and uses of proceeds of the Bonds, other than any portions thereof representing accrued interest:

|                              |                        |
|------------------------------|------------------------|
| <b>Sources:</b>              |                        |
| Par Amount of Bonds          | <u>\$10,475,000.00</u> |
| Total Sources                | \$10,475,000.00        |
| <b>Uses:</b>                 |                        |
| Deposit to Construction Fund | \$10,177,750.00        |
| Underwriter's Discount (2%)  | 209,500.00             |
| Cost of Issuance             | <u>87,750.00</u>       |
| Total Uses                   | \$10,475,000.00        |

**DISTRICT STUDENT POPULATION**

Selected school census and average daily attendance for the Russell County School District is as follows:

| <u>Year</u> | <u>Average Daily Attendance</u> | <u>Year</u> | <u>Average Daily Attendance</u> |
|-------------|---------------------------------|-------------|---------------------------------|
| 2000-01     | 2,483.6                         | 2012-13     | 2,666.9                         |
| 2001-02     | 2,460.9                         | 2013-14     | 2,663.9                         |
| 2002-03     | 2,460.0                         | 2014-15     | 2,679.6                         |
| 2003-04     | 2,505.6                         | 2015-16     | 2,656.2                         |
| 2004-05     | 2,585.0                         | 2016-17     | 2,646.5                         |
| 2005-06     | 2,594.5                         | 2017-18     | 2,710.2                         |
| 2006-07     | 2,591.9                         | 2018-19     | 2,715.2                         |
| 2007-08     | 2,599.1                         | 2019-20     | 2,707.8                         |
| 2008-09     | 2,600.3                         | 2020-21     | 2,707.8                         |
| 2009-10     | 2,599.2                         | 2021-22     | 2,819.0                         |
| 2010-11     | 2,607.4                         | 2022-23     | 2,819.0                         |
| 2011-12     | 2,623.8                         | 2023-24     | 2,755.0                         |

*Source: Kentucky State Department of Education.*

**STATE SUPPORT**

**Support Education Excellence in Kentucky (SEEK).** In determining the cost of the program to Support Education Excellence in Kentucky (SEEK), the statewide guaranteed base funding level is computed by dividing the amount appropriated by the prior year's statewide average daily attendance. The SEEK fund is a guaranteed amount of money per pupil in each school district of Kentucky. The current SEEK allotment is \$3,866 per pupil. The \$100 capital outlay allotment per each average daily attendance is included within the guaranteed amounts. Each district's base funding from the SEEK program is adjusted for the number of at-risk students, the number and types of exceptional children in the district, and cost of transporting students from and to school in the district.

**Capital Outlay Allotment.** The per pupil capital outlay allotment for each district from the public school fund and from local sources shall be kept in a separate account and may be used by the district only for capital outlay projects approved by the State Department of Education. These funds shall be used for the following capital outlay purposes:

- a. For direct payment of construction costs.
- b. For debt service on voted and funding bonds.
- c. For payment or lease-rental agreements under which the board will eventually acquire ownership of the school plant.
- d. For retirement of any deficit resulting from over-expenditure for capital construction, if such deficit resulted from certain declared emergencies.
- e. As a reserve fund for the above named purposes, to be carried forward in ensuing budgets.

The allotment for each school board of education in the Commonwealth for fiscal year 1978-79 was \$1,800 per classroom unit. The 1979 Session of the Kentucky General Assembly approved increases in this allotment in 1979-80 to \$1,900 per classroom unit. This rate remained unchanged in 1980-81. The 1981 Session of the Kentucky General Assembly decreased the allotment per classroom to \$1,800 and this allotment rate did not change from the 1981-82 rate, until the 1990-91 school year. Beginning with 1990-91, the Capital Outlay allotment for each district is based on \$100 per average daily attendance.

The following table shows the computation of the capital outlay allotment for the Russell County School District for certain preceding school years as reported by the Kentucky Department of Education.

| <b>Year</b> | <b>Capital Outlay Allotment</b> | <b>Year</b> | <b>Capital Outlay Allotment</b> |
|-------------|---------------------------------|-------------|---------------------------------|
| 2000-01     | 248,360.0                       | 2012-13     | 266,690.0                       |
| 2001-02     | 246,090.0                       | 2013-14     | 266,388.0                       |
| 2002-03     | 246,000.0                       | 2014-15     | 267,959.0                       |
| 2003-04     | 250,560.0                       | 2015-16     | 265,618.0                       |
| 2004-05     | 258,500.0                       | 2016-17     | 264,650.0                       |
| 2005-06     | 259,450.0                       | 2017-18     | 271,020.0                       |
| 2006-07     | 259,190.0                       | 2018-19     | 271,520.0                       |
| 2007-08     | 259,910.0                       | 2019-20     | 270,780.0                       |
| 2008-09     | 260,034.0                       | 2020-21     | 270,782.8                       |
| 2009-10     | 259,915.0                       | 2021-22     | 281,902.5                       |
| 2010-11     | 260,743.0                       | 2022-23     | 281,902.5                       |
| 2011-12     | 262,382.0                       | 2023-24     | 275,503.1                       |

If the school district has no capital outlay needs, upon approval from the State, the funds can be used for school plant maintenance, repair, insurance on buildings, replacement of equipment, purchase of school buses and purchase of modern technological equipment for educational purposes. If any district has a special levy for capital outlay or debt service that is equal to the capital outlay allotment or a proportionate fraction thereof, and spends the proceeds of the levy for eligible purposes, the State may authorize the district to use all or a proportionate fraction of its capital outlay allotment for current expenses (school districts which use capital outlay allotments to meet current expenses are not eligible to participate in the School Facilities Construction Commission funds).

**Facilities Support Program of Kentucky.** School districts may be eligible to participate in the Facilities Support Program of Kentucky (FSPK), subject to the following requirements:

- 1) The district must have unmet needs as set forth and approved by the State Department of Education in a School Facilities Plan;
- 2) The district must commit to establish an equivalent tax rate of at least 5 cents, in addition to the 30 cents minimum current equivalent tax rate; and,
- 3) The new revenues generated by the 5 cent addition, must be placed in a restricted account for school building construction bonding.

## LOCAL SUPPORT

**Homestead Exemption.** Section 170 of the Kentucky Constitution was amended at the General Election held November 2, 1971, to exempt from property taxes \$6,500 of value of single unit residential property of taxpayers 65 years of age or older. The 1972 General Assembly amended KRS Chapter 132 to permit counties and school districts to adjust their local tax revenues lost through the application of this Homestead Exemption. The "Single Unit" qualification has been enlarged to subsequent sessions of the General Assembly to provide that such exemption shall apply to such property maintained as the permanent resident of the owner and the dollar amount has been construed to mean \$6,500 in terms of the purchasing power of the dollar in 1972. Every two years thereafter, if the cost of living index of the U.S. Department of Labor has changed as much as 1%, the maximum exemption shall be adjusted accordingly. Under the cost of living formula, the maximum was increased to \$46,350 effective January 1, 2023.

**Limitation on Taxation.** The 1979 Special Session of the Kentucky General Assembly enacted House Bill 44 which provides that no school district may levy a general tax rate, voted general tax rate, or voted building tax rate which would generate revenues that exceeds the previous years revenues by four percent (4%).

The 1990 Regular Session of the Kentucky General Assembly in enacting the "School Reform" legislative package amended the provisions of KRS 160.470 which prohibited school districts from levying ad valorem property taxes which would generate revenues in excess of 4% of the previous year's revenues without said levy subject to recall to permit exceptions to the referendum under (1) KRS 160.470(12) [a new section of the statute] and (2) an amended KRS 157.440.

Under KRS 160.470(12)(a) for fiscal years beginning July 1, 1990 school districts are required to levy a "minimum equivalent tax rate" of thirty cents (\$.30) for general school purposes. The equivalent tax rate is defined as the rate which results when the income collected during the prior year from all taxes (including occupational or utilities) levied by the district for school purposes divided by the total assessed value of property plus the assessment for motor vehicles certified by the State Revenue Cabinet. Failure to levy the minimum equivalent rate subjects the board of the district to removal.

The exception provided by KRS 157.440(1)(a) permits school districts to levy an equivalent tax rate as defined in KRS 160.470(12)(a) which will produce up to 15% of those revenues guaranteed by the program to support education excellence in Kentucky. Levies permitted by this section of the statute are not subject to public hearing or recall provisions as set forth in KRS 160.470.

**Local Thirty Cents Minimum.** Effective for school years beginning after June 30, 1990, the board of education of each school district shall levy a minimum equivalent tax rate of thirty cents (\$.30) for general school purposes. If a board fails to comply, its members shall be subject to removal from office for willful neglect of duty.

**Additional 15% Not Subject to Recall.** Effective with the school year beginning July 1, 1990, each school district may levy an equivalent tax rate which will produce up to 15% of those revenues guaranteed by the SEEK program. Effective with the 1990-91 school year, the State will equalize the revenue generated by this levy at one hundred fifty percent (150%) of the statewide average per pupil equalized assessment. For 1993-94 and thereafter, this level is set at \$225,000. The additional 15% rate levy is not subject to the public hearing or recall provisions.

**Assessment Valuation.** No later than July 1, 1994, all real property located in the state and subject to local taxation shall be assessed at one hundred percent (100%) of fair cash value.

**Special Voted and Other Local Taxes.** Any district may, in addition to other taxes for school purposes, levy not less than four cents nor more than twenty cents on each one hundred dollars (\$100) valuation of property subject to local taxation, to provide a special fund for the purchase of sites for school buildings and the erection, major alteration, enlargement, and complete equipping of school buildings. In addition, districts may levy taxes on tangible and intangible property and on utilities, except generally any amounts of revenues generated above that provided for by House Bill 44 is subject to voter recall.

*Local Tax Rates, Property Assessments and Revenue Collections*

| <b>Tax Year</b> | <b>Combined Equivalent Rate</b> | <b>Total Property Assessment</b> | <b>Property Revenue Collections</b> |
|-----------------|---------------------------------|----------------------------------|-------------------------------------|
| 2000-01         | 50.5                            | 552,669,534                      | 2,790,981                           |
| 2001-02         | 52.3                            | 599,670,276                      | 3,136,276                           |
| 2002-03         | 50.9                            | 620,301,825                      | 3,157,336                           |
| 2003-04         | 50.9                            | 660,007,773                      | 3,359,440                           |
| 2004-05         | 51.2                            | 738,378,153                      | 3,780,496                           |
| 2005-06         | 53.3                            | 767,052,006                      | 4,088,387                           |
| 2006-07         | 59.3                            | 823,598,602                      | 4,883,940                           |
| 2007-08         | 53.3                            | 911,678,557                      | 4,859,247                           |
| 2008-09         | 57.8                            | 968,635,577                      | 5,598,714                           |
| 2009-10         | 57.8                            | 985,017,876                      | 5,693,403                           |
| 2010-11         | 57.6                            | 1,003,937,357                    | 5,782,679                           |
| 2011-12         | 61                              | 1,059,849,413                    | 6,465,081                           |
| 2012-13         | 59.1                            | 1,082,751,664                    | 6,399,062                           |
| 2013-14         | 61.8                            | 1,093,792,998                    | 6,759,641                           |
| 2014-15         | 62.2                            | 1,087,145,238                    | 6,762,043                           |
| 2015-16         | 61.1                            | 1,101,032,178                    | 6,727,307                           |
| 2016-17         | 60.6                            | 1,115,299,818                    | 6,758,717                           |
| 2017-18         | 62.0                            | 1,123,180,097                    | 6,963,717                           |
| 2018-19         | 62.2                            | 1,151,157,194                    | 7,160,198                           |
| 2019-20         | 60.7                            | 1,173,741,881                    | 7,124,613                           |
| 2020-21         | 59                              | 1,214,902,381                    | 7,167,924                           |
| 2021-22         | 60.7                            | 1,269,954,215                    | 7,708,622                           |
| 2022-23         | 61.5                            | 1,392,311,866                    | 8,562,718                           |
| 2023-24         | 60.4                            | 1,473,329,669                    | 8,898,911                           |

Source: Kentucky State Department of Education.

**OVERLAPPING BOND INDEBTEDNESS**

The following table shows any other overlapping bond indebtedness of the Russell County School District or other issuing agency within Russell County as reported by the State Local Debt Officer for the period ending June 30, 2024.

| <b>Issuer</b>                                | <b>Original Principal Amount</b> | <b>Amount of Bonds Redeemed</b> | <b>Current Principal Outstanding</b> |
|--|----------------------------------|---------------------------------|--------------------------------------|
| Russell County                               |                                  |                                 |                                      |
| General Obligation                           | 3,450,000                        | 990,000                         | 2,460,000                            |
| AOC Project/Justice Center Refunding Revenue | 18,210,000                       | 1,755,000                       | 16,455,000                           |
| City of Jamestown                            |                                  |                                 |                                      |
| Water & Sewer Revenue                        | 731,000                          | 355,500                         | 375,500                              |
| Refinancing Revenue                          | 6,007,000                        | 1,703,683                       | 4,303,317                            |
| Improvement Project Revenue                  | 994,000                          | 60,000                          | 934,000                              |
| City of Russell Springs                      |                                  |                                 |                                      |
| General Obligation                           | 160,472                          | 142,011                         | 18,461                               |
| Water & Sewer Revenue                        | 2,626,000                        | 1,240,500                       | 1,385,500                            |
| City Pool Revenue                            | 1,770,000                        | 0                               | 1,770,000                            |
| Special Districts                            |                                  |                                 |                                      |
| Russell County Library                       | 4,530,000                        | 785,000                         | 3,745,000                            |
| Lake Cumberland Natural Gas Authority        | 1,500,000                        | 354,000                         | 1,146,000                            |
| Totals:                                      | 39,978,472                       | 7,385,694                       | 32,592,778                           |

Source: 2024 Kentucky Local Debt Report.

## SEEK ALLOTMENT

The Board has reported the following information as to the SEEK allotment to the District, and as provided by the State Department of Education.

| SEEK    | Base<br>Funding | Local<br>Tax Effort | Total State &<br>Local Funding |
|---------|-----------------|---------------------|--------------------------------|
| 2000-01 | 9,473,703       | 2,790,981           | 12,264,684                     |
| 2001-02 | 9,393,326       | 3,136,276           | 12,529,602                     |
| 2002-03 | 9,840,340       | 3,157,336           | 12,997,676                     |
| 2003-04 | 10,389,944      | 3,359,440           | 13,749,384                     |
| 2004-05 | 10,727,308      | 3,780,496           | 14,507,804                     |
| 2005-06 | 11,515,649      | 4,088,387           | 15,604,036                     |
| 2006-07 | 11,753,475      | 4,883,940           | 16,637,415                     |
| 2007-08 | 12,882,337      | 4,859,247           | 17,741,584                     |
| 2008-09 | 12,850,273      | 5,598,714           | 18,448,987                     |
| 2009-10 | 11,425,311      | 5,693,403           | 17,118,714                     |
| 2010-11 | 11,045,238      | 5,782,679           | 16,827,917                     |
| 2011-12 | 11,675,431      | 6,465,081           | 18,140,512                     |
| 2012-13 | 11,770,594      | 6,399,062           | 18,169,656                     |
| 2013-14 | 11,755,647      | 6,759,641           | 18,515,288                     |
| 2014-15 | 12,232,556      | 6,762,043           | 18,994,599                     |
| 2015-16 | 12,162,442      | 6,727,307           | 18,889,749                     |
| 2016-17 | 12,023,504      | 6,758,717           | 18,782,221                     |
| 2017-18 | 12,456,899      | 6,963,717           | 19,420,616                     |
| 2018-19 | 12,671,756      | 7,160,198           | 19,831,954                     |
| 2019-20 | 12,735,491      | 7,124,613           | 19,860,104                     |
| 2020-21 | 12,005,582      | 7,167,924           | 19,173,506                     |
| 2021-22 | 12,907,737      | 7,708,622           | 20,616,359                     |
| 2022-23 | 13,564,241      | 8,562,718           | 22,126,959                     |
| 2023-24 | 13,407,942      | 8,898,911           | 22,306,853                     |

- (1) Support Education Excellence in Kentucky (SEEK) replaces the minimum foundation program and power equalization funding. Capital Outlay is now computed at \$100 per average daily attendance (ADA). Capital Outlay is included in the SEEK base funding.
- (2) The Board established a current equivalent tax rate (CETR) of \$0.6040 for FY 2023-24. The equivalent tax rate" is defined as the rate which results when the income from all taxes levied by the district for school purposes is divided by the total assessed value of property plus the assessment for motor vehicles certified by the Commonwealth of Kentucky Revenue Cabinet.

### State Budgeting Process

- i) Each district board of education is required to prepare a general school budget on forms prescribed and furnished by the Kentucky Board of Education, showing the amount of money needed for current expenses, debt service, capital outlay, and other necessary expenses of the school during the succeeding fiscal year and the estimated amount that will be received from all sources.
- ii) By September 15 of each year, after the district receives its tax assessment data from the Department of Revenue and the State Department of Education, 3 copies of the budget are forwarded to the State Department for approval or disapproval.
- iii) The State Department of Education has adopted a policy of disapproving a school budget if it is financially unsound or fails to provide for:
  - a) payment of maturing principal and interest on any outstanding voted school improvement bonds of the district or payment of rental in connection with any outstanding school building revenue bonds issued for the benefit of the school district; or
  - b) fails to comply with the law.



## POTENTIAL LEGISLATION

No assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax exemption of such interest. In addition, current and future legislative proposals, if enacted into law, may cause interest on state or local government bonds (whether issued before, on the date of, or after enactment of such legislation) to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the amount of interest on such bonds that may currently be treated as tax exempt by certain individuals. For example, on August 16, 2022, President Biden signed the Inflation Reduction Act of 2022 (the "Inflation Reduction Act"). The Inflation Reduction Act imposes a minimum tax of 15 percent of the adjusted financial statement income on certain corporations whose income exceeds stated thresholds for tax years beginning after December 31, 2022. Under the Inflation Reduction Act, interest on debt obligations otherwise exempt from federal income tax would be included in the calculation of adjusted financial statement income for corporations subject to the minimum tax. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation.

Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the IRS, including but not limited to regulation, ruling, or selection of the Bonds for audit examination, or the course or result of any IRS examination of the Bonds or obligations which present similar tax issues, will not affect the market price for the Bonds.

## CONTINUING DISCLOSURE

As a result of the Board and issuing agencies acting on behalf of the Board offering for public sale municipal securities in excess of \$1,000,000, the Corporation and the Board will enter into a written agreement for the benefit of all parties who may become Registered or Beneficial Owners of the Bonds whereunder said Corporation and Board will agree to comply with the provisions of the Municipal Securities Disclosure Rules set forth in Securities and Exchange Commission Rule 15c2-12 by filing annual financial statements and material events notices with the Electronic Municipal Market Access (EMMA) System maintained by the Municipal Securities Rule Making Board.

As of the date of this Official Statement, the Corporation and the Board are in compliance "in all material respects" with the reporting requirements of the Rule for the past five years.

Financial information regarding the Board may be obtained from Superintendent, Russell County Board of Education, 404 S. Main Street, Jamestown, Kentucky 42629 (270) 343-3191.

## TAX EXEMPTION; NOT BANK QUALIFIED

Bond Counsel advises as follows with respect to the Bonds::

(A) The Bonds and the interest thereon are exempt from income and ad valorem taxation by the Commonwealth of Kentucky and all of its political subdivisions.

(B) The interest income from the Bonds is excludable from the gross income of the recipient thereof for Federal income tax purposes under existing law and will not be a specific item of tax preference for purposes of Federal income taxation. However, with respect to certain corporations, interest on the Bonds is taken into account in determining the annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

(C) As a result of designations and certifications by the Board and the Corporation, indicating the issuance of more than \$10,000,000 of tax-exempt obligations during the calendar year ending December 31, 2025, the Bonds are not "qualified tax-exempt obligations" within the meaning of the Internal Revenue Code of 1986, as amended.

The Corporation will provide the purchaser the customary no-litigation certificate, and the final approving Legal Opinions of Steptoe & Johnson PLLC, Bond Counsel, Louisville, Kentucky approving the legality of the Bonds. These opinions will accompany the Bonds when delivered, without expense to the purchaser.

### **Original Issue Premium**

Certain of the Bonds may be initially offered and sold to the public at a premium ("Acquisition Premium" from the amounts payable at maturity thereon. "Acquisition Premium" is the excess of the cost of a bond over the stated redemption price of such bond at maturity or, for bonds that have one or more earlier call dates, the amount payable at the next earliest call date. The Bonds that bear an interest rate that is higher than the yield (as shown on the cover page hereof), are being initially offered and sold to the public at an Acquisition Premium (the "Premium Bonds"). For federal income tax purposes, the amount of Acquisition Premium on each bond the interest on which is excludable from gross income for federal income tax purposes ("tax-exempt bonds") must be amortized and will reduce the bondholder's adjusted basis in that bond. However, no amount of amortized Acquisition Premium on tax-exempt bonds may be deducted in determining bondholder's taxable income for federal income tax purposes. The amount of any Acquisition Premium paid on the Premium Bonds, or on any of the Bonds, that must be amortized during any period will be based on the "constant yield" method, using the original bondholder's basis in such bonds and compounding semiannually. This amount is amortized ratably over that semiannual period on a daily basis.

Holders of any Bonds, including any Premium Bonds, purchased at an Acquisition Premium should consult their own tax advisors as to the actual effect of such Acquisition Premium with respect to their own tax situation and as to the treatment of Acquisition Premium for state tax purposes.

### **Original Issue Discount**

Certain of the Bonds (the "Discount Bonds") may be initially offered and sold to the public at a discount ("OID") from the amounts payable at maturity thereon. OID is the excess of the stated redemption price of a bond at maturity (the face amount) over the "issue price" of such bond. The issue price is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of bonds of the same maturity are sold pursuant to that initial offering. For federal income tax purposes, OID on each bond will accrue over the term of the bond. The amount accrued will be based on a single rate of interest, compounded semiannually (the "yield to maturity") and, during each semi-annual period, the amount will accrue ratably on a daily basis. The OID accrued during the period that an initial purchaser of a Discount Bond at its issue price owns it is added to the purchaser's tax basis for purposes of determining gain or loss at the maturity, redemption, sale or other disposition of that Discount Bond. In practical effect, accrued OID is treated as stated interest, that is, as excludable from gross income for federal income tax purposes.

In addition, original issue discount that accrues in each year to an owner of a Discount Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the collateral federal income tax consequences discussed above. Consequently, owners of any Discount Bond should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability, additional distribution requirements or other collateral federal income tax consequences although the owner of such Discount Bond has not received cash attributable to such original issue discount in such year.

Holders of Discount Bonds should consult their own tax advisors as to the treatment of OID and the tax consequences of the purchase of such Discount Bonds other than at the issue price during the initial public offering and as to the treatment of OID for state tax purposes.

### **ABSENCE OF MATERIAL LITIGATION**

There is no controversy or litigation of any nature now pending or threatened (i) restraining or enjoining the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the Board or Corporation taken with respect to the issuance or sale thereof or (ii) which if successful would have a material adverse effect on the financial condition of the Board.

## **APPROVAL OF LEGALITY**

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving legal opinion of Steptoe & Johnson PLLC, Bond Counsel. The form of the approving legal opinion of Bond Counsel will appear on each printed Bond.

## **NO LEGAL OPINION EXPRESSED AS TO CERTAIN MATTERS**

Bond Counsel has reviewed the information contained in the Official Statement describing the Bonds and the provisions of the Bond Resolution and related proceedings authorizing the Bonds, but Bond Counsel has not reviewed any of the financial data, computations, tabulations, balance sheets, financial projections, and general information concerning the Corporation or District, and expresses no opinion thereon, assumes no responsibility for same and has not undertaken independently to verify any information contained herein.

## **BOND RATING**

As noted on the cover page of this Official Statement, Moody's Investors Service has given the Bonds the indicated rating. Such rating reflects only the respective views of such organization. Explanations of the significance of the rating may be obtained from the rating agency. There can be no assurance that such rating will be maintained for any given period of time or will not be revised or withdrawn entirely by the rating agency, if in their judgement circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

## **MUNICIPAL ADVISOR**

Prospective bidders are advised that RSA Advisors, LLC ("RSA") has been employed as Municipal Advisor in connection with the issuance of the Bonds. RSA's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery thereof. Bidders may submit a bid for the purchase of the Bonds at the time of the advertised public sale, either individually or as a member of a syndicate organized to submit a bid for the purchase of the Bonds.

## **APPROVAL OF OFFICIAL STATEMENT**

The Corporation has approved and caused this "Official Statement" to be executed and delivered by its President. In making this "Official Statement" the Corporation relied upon information furnished to it by the Board of Education of the Russell County School District and does not assume any responsibility as to the accuracy or completeness of any of the information in this Official Statement except as to copies of documents denominated "Official Terms and Conditions" and "Bid Form." The financial information supplied by the Board of Education is represented by the Board of Education to be correct. The Corporation deems this preliminary Official Statement to be final for purposes of Securities Exchange Commission Rule 15c2-12(b)(1) as qualified by the cover hereof.

No dealer, broker, salesman, or other person has been authorized by the Corporation, the Russell County Board of Education or the Municipal Advisor to give any information or representations, other than those contained in this Official Statement, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Except when otherwise indicated, the information set forth herein has been obtained from the Kentucky Department of Education and the Russell County School District and is believed to be reliable; however, such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the Municipal Advisor or by Counsel. The delivery of this Official Statement at any time does not imply that information herein is correct as of any time subsequent to the date hereof.

This Official Statement does not, as of its date, contain any untrue statement of a material fact or omit to state a material fact which should be included herein for the purpose for which the Official Statement is to be used or which is necessary in order to make the statements contained herein, in the light of the circumstances under which they were made, not misleading in any material respect.

By /s/ \_\_\_\_\_  
**President**

By /s/ \_\_\_\_\_  
**Secretary**

# **APPENDIX A**

**Russell County School District Finance Corporation  
School Building Revenue Bonds  
Series of 2025**

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## **Demographic and Economic Data**

## **RUSSELL COUNTY, KENTUCKY**

Russell County is located in south-central Kentucky's Mississippian Plateaus Region and encompasses a large portion of Lake Cumberland, one of the state's most scenic waterways and recreational areas. Russell County covers a land area of 253 square miles and has a 2023 population of 18,333 persons.

Jamestown, located in the central portion of Russell County, serves as the county seat. Jamestown has a 2023 population of 1,870. Jamestown is located 185 miles southwest of Cincinnati, Ohio; 124 miles southeast of Louisville, Kentucky; and 149 miles northwest of Knoxville, Tennessee.

Russell Springs, the larger of the two cities, is located five miles north of Jamestown and has a 2023 population of 2,533.

### **The Economic Framework**

In 2023, Russell County had a labor force of 8,288 people with an unemployment rate of 6.2%. The top 5 jobs by occupation were as follows: Education, Training/Library - 604 (12.26%); Executive, Managers, and Administrators - 535 (10.86%); Office and Administrative Support - 513 (10.42%); Sales - 439 (8.91%); and Construction and Extraction - 425 (8.63%).

### **Transportation**

The Cumberland Parkway, U.S. Highway 127, and Kentucky 80 are all "AAA"-rated (80,000-pound gross load limit) trucking highways serving Russell County. Interstate 75, a major north-south corridor, is located 63 miles east of Jamestown via the Cumberland Parkway and Kentucky 80. Interstate 65, another major north-south corridor, is located 61 miles west of Jamestown via the Cumberland Parkway. Twelve common carrier trucking companies provide interstate and/or intrastate service to Russell County. Norfolk Southern Corporation provides the nearest main line rail service located at Somerset, 32 miles east of Jamestown. The nearest scheduled commercial airline service is located at Bluegrass Airport, 92 miles northeast of Jamestown. The Russell County Airport, located two miles northwest of Jamestown, maintains a 5,000-foot runway.

### **Power and Fuel**

Kentucky Utilities Company provides electric power to Jamestown, Russell Springs and portions of Russell County. The major portion of the County is served by South Kentucky Rural Electric Cooperative Corporation, whose source of power is East Kentucky Power.

### **Education**

Primary and secondary education is provided by the Russell County School System. There are 15 institutions of higher learning within 95 miles of Jamestown, including three junior colleges, three community colleges, four senior colleges, and five universities. Vocational education is available at the Russell County Area Vocational Education Center in Russell Springs, and at the Somerset State Vocational-Technical School in Somerset, 32 miles east of Jamestown.

## **LOCAL GOVERNMENT**

### **Structure**

Jamestown is served by a mayor and six council members. Russell Springs is served by a mayor and four commissioners. Russell County is served by a county judge/executive and four magistrates.

## Planning and Zoning

City agency - Russell Springs Planning Commission  
Zoning enforced - Within Russell Springs city limits  
Subdivision regulations enforced - Within Russell Springs city limits  
Local codes enforced - Building and housing  
Mandatory state codes enforced - Kentucky Plumbing Code, National Electric Code, Kentucky Boiler regulations and Standards, Kentucky Building Code (modeled after BOCA code)

## Local Fees and Licenses

The City of Jamestown levies a license tax of .25 percent upon all persons engaged in any occupation, trade or profession within the city. The maximum occupational license tax charged is \$100.00. A business license fee of \$100 per year is levied, as well as a \$50 per year unloading license fee.

The City of Russell Springs levies a .25 percent occupational license tax on wages, salaries, and commissions of individuals and on net profits of businesses.

Russell County also levies an occupational license tax of 0.25 percent on wages, salaries, and commissions of individuals and on net profits of businesses.

## Property Taxes

The Kentucky Constitution requires the state to tax all classes of taxable property, and state statutes allow local jurisdictions to tax only a few classes. All locally taxed property is subject to county taxes and school district taxes (either a county school district or an independent school district). Property located inside of city limits may also be subject to city property taxes.

Special local taxing jurisdictions (fire protection districts, watershed districts, and sanitation districts) levy taxes within their operating areas (usually a small portion of community or county).

Property assessments in Kentucky are at 100% fair cash value. A 15% reduction is automatically granted for accounts receivable.

## LABOR MARKET STATISTICS

The Russell County Labor Market Area includes Russell County and the adjoining Kentucky counties of Adair, Barren, Casey, Clinton, Cumberland, Metcalfe, Taylor, Pulaski and Wayne.

### Population Growth (in thousands)

| <u>Area</u>     | <u>2021</u> | <u>2022</u> | <u>2023</u> |
|-----------------|-------------|-------------|-------------|
| Jamestown       | 1,823       | 1,915       | 1,804       |
| Russell Springs | 2,584       | 2,771       | 2,525       |
| Russell County  | 17,940      | 18,591      | 18,271      |

*Source: Kentucky Cabinet for Economic Development.*

### Population Projections

| <u>Area</u>    | <u>2025</u> | <u>2030</u> | <u>2035</u> |
|----------------|-------------|-------------|-------------|
| Russell County | 18,071      | 18,057      | 17,981      |

*Source: Kentucky State Data Center, University of Louisville.*

## EDUCATION

### Public Schools

Total Enrollment (2023-24)  
Pupil-Teacher Ratio

### Russell County

2,898  
15.0 - 1

*Source: Kentucky Department of Education.*

### Vocational Training

Vocational training is available at both the state vocational-technical schools and the area vocational education centers. The state vocational-technical schools are post-secondary institutions. The area vocational education centers are designed to supplement the curriculum of high school students. Both the state vocational-technical schools and the area vocational education centers offer evening courses to enable working adults to upgrade current job skills.

Arrangements can be made to provide training in the specific production skills required by an industrial plant. Instruction may be conducted either in the vocational school or in the industrial plant, depending upon the desired arrangement and the availability of special equipment.

### Bluegrass State Skills Corporation

The Bluegrass State Skills Corporation, an independent public corporation created and funded by the Kentucky General Assembly, provides programs of skills training to meet the needs of business and industry from entry level to advanced training, and from upgrading present employees to retraining experienced workers.

The Bluegrass State Skills corporation is the primary source for skills training assistance for a new or existing company. The Corporation works in partnership with other employment and job training resources and programs, as well as Kentucky's economic development activities, to package a program customized to meet the specific needs of a company.

| <u>Vocational School</u> | <u>Location</u>     | <u>Enrollment<br/>2023-2024</u> |
|--------------------------|---------------------|---------------------------------|
| Russell County ATC       | Jamestown, KY       | 446                             |
| Barren County ATC        | Glasgow, KY         | 802                             |
| Casey County ATC         | Liberty, KY         | 590                             |
| Corbin ATC               | Corbin, KY          | 619                             |
| Garrard County ATC       | Lancaster, KY       | 399                             |
| Green County ATC         | Greensburg, KY      | 328                             |
| Lake Cumberland ATC      | Russell Springs, KY | 813                             |
| Lincoln County ATC       | Stanford, KY        | 277                             |
| Marion County ATC        | Lebanon, KY         | 693                             |
| Monroe County ATC        | Tompkinsville, KY   | 482                             |
| Nelson County ATC        | Bardstown, KY       | 887                             |
| Pulaski County ATC       | Somerset, KY        | 297                             |
| Rockcastle County ATC    | Mt. Vernon, KY      | 407                             |
| Wayne County ATC         | Monticello, KY      | 609                             |

*Source: Kentucky Department of Education*



## Area Colleges and Universities

| <u>School Name</u>            | <u>Location</u>    | <u>Undergraduate Enrollment Fall 2023</u> |
|-------------------------------|--------------------|---|
| Berea College                 | Berea, KY          | 1,487                                     |
| Campbellsville University     | Campbellsville, KY | 6,411                                     |
| Centre College                | Danville, KY       | 1,356                                     |
| Lindsey Wilson College        | Columbia, KY       | 833                                       |
| University of the Cumberlands | Williamsburg, KY   | 6,103                                     |

*Source: U.S. News & World Report*

**APPENDIX B**

**Russell County School District Finance Corporation  
School Building Revenue Bonds  
Series of 2025**

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**Audited Financial Statement ending June 30, 2024**

**RUSSELL COUNTY  
SCHOOL DISTRICT  
AUDIT REPORT  
JUNE 30, 2024**

## TABLE OF CONTENTS

|   |       |
|---|-------|
| Independent Auditor's Report  | 1-3   |
| Management Discussion and Analysis  | 4-10  |
| Basic Financial Statements:   |       |
| Government-Wide Financial Statements:   |       |
| Statement of Net Position   | 11    |
| Statement of Activities   | 12    |
| Fund Financial Statements:  |       |
| Balance Sheet – Governmental Funds  | 13    |
| Reconciliation of the Balance Sheet – Governmental<br>Funds to the Statement of Net Position  | 14    |
| Statement of Revenues, Expenditures and Changes in<br>Fund Balances – Governmental Funds  | 15    |
| Reconciliation of the Statement of Revenues, Expenditures and<br>Changes in Fund Balances of Governmental Funds to the<br>Statement of Activities | 16    |
| Statement of Net Position – Proprietary Funds   | 17    |
| Statement of Revenues, Expenses and Changes in Net Position –<br>Proprietary Funds  | 18    |
| Statement of Cash Flows – Proprietary Funds   | 19    |
| Statement of Fiduciary Net Position – Fiduciary Funds   | 20    |
| Statement of Changes in Fiduciary Net Position – Fiduciary Funds  | 21    |
| Notes to Basic Financial Statements   | 22-52 |
| Required Supplementary Information:   |       |
| Statement of Revenues, Expenditures and Changes in<br>Fund Balance – Budget and Actual – General Fund   | 53    |
| Statement of Revenues, Expenditures and Changes in<br>Fund Balance – Budget and Actual – Special Revenue Fund                                     | 54    |
| Schedule of District's Proportionate Share of Net Pension<br>Liability – Teachers' Retirement System  | 55    |
| Schedule of District's Proportionate Share of Net Pension<br>Liability – County Employees Retirement System                                       | 56    |
| Schedule of Contributions to the<br>Teachers Retirement System  | 57    |

TABLE OF CONTENTS (CONTINUED)

|   |       |
|---|-------|
| Schedule of Contributions to the<br>County Employees Retirement System  | 58    |
| Schedule of District's Proportionate Share of the Net OPEB<br>Liability – Medical Insurance - CERS  | 59    |
| Schedule of District's Proportionate Share of the Net OPEB<br>Liability – Medical Insurance - TRS   | 60    |
| Schedule of District's Proportionate Share of the Net OPEB<br>Liability – Life Insurance - TRS  | 61    |
| Schedule of Contributions to the<br>Medical Insurance Plan - CERS   | 62    |
| Schedule of Contributions to the<br>Medical Insurance Plan - TRS  | 63    |
| Schedule of Contributions to the<br>Life Insurance Plan - TRS   | 64    |
| Notes to Required Supplementary Information   | 65-71 |
| Other Supplementary Information:  |       |
| Combining Statement – Non-Major Funds:  |       |
| Combining Balance Sheet – Non-Major Governmental Funds  | 72    |
| Combining Statement of Revenues, Expenditures and Changes<br>in Fund Balances – Non-Major Governmental Funds  | 73    |
| Combining Statement of Revenues, Expenditures and Fund Balances –<br>Student Activity Funds   | 74    |
| Statement of Receipts, Disbursements and Fund Balance – High School<br>Activity Fund  | 75    |
| Schedule of Expenditures of Federal Awards  | 76    |
| Notes to Schedule of Expenditures of Federal Awards   | 77    |
| Schedule of Findings and Questioned Costs   | 78    |
| Schedule of Prior Year Audit Findings   | 79    |
| Independent Auditor's Report on Internal Control over Financial Reporting and on<br>Compliance and Other Matters Based on an Audit of Financial Statements<br>Performed in Accordance with <i>Government Auditing Standards</i> | 80-81 |
| Independent Auditor's Report on Compliance for Each Major Program and on<br>Internal Control over Compliance Required the Uniform Guidance  | 82-84 |
| Management Letter Comments  | 85-86 |
| Letter to Those Charged with Governance   | 87-89 |

# MONTGOMERY & COMPANY, P.L.L.C

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November 15, 2024

## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education  
Russell County School District  
404 South Main Street  
Jamestown, KY 42629

### Report on the Financial Statements

#### *Opinions*

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Russell County School District as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Russell County School District's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Russell County School District, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract, Audit Acceptance Statement, AFR and Balance Sheet, Statement of Certification, and Audit Report*. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Russell County School District and to meet my ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Russell County School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of Financial Statement***

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, I:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Russell County School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Russell County School District's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal-control matters that I identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules of the district's proportionate share of net pension liabilities, and the schedules of the district's proportionate share of net other post-employment benefits on pages 4 through 10, 53 through 56, and 59 through 61 be presented to

supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Russell County School District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, the statement of receipts, disbursements and fund balance – High School Activity Fund, and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated November 15, 2024, on my consideration of Russell County School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Russell County School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Russell County School District's internal control over financial reporting and compliance.

Sincerely,

***Montgomery & Company, P.L.L.C.***

Certified Public Accountants



**RUSSELL COUNTY PUBLIC SCHOOL DISTRICT – Jamestown, KY  
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2024**

As management of the Russell County School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2024. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements.

**FINANCIAL HIGHLIGHTS**

- The June 30, 2024 cash balance for the District was \$12,620,180, as compared with the beginning cash balance of \$19,549,209. The ending cash balance consists of General Fund of \$8,441,599, Special Revenue of \$0, District Activity Fund of \$22,029, School Activity Fund of \$289,952, Capital Outlay of \$0, Building (FSPK) Fund of \$223,763, Construction Fund of \$3,047,521, Debt Service Fund of \$0, and Food Service of \$595,316.
- District-wide net position increased \$5,653,428 during the 2024 fiscal year. Total liabilities had a decrease of \$2,396,030.
- The General Fund had \$29.8 million in revenue, which primarily consisted of the state program (SEEK), property, utilities, and motor vehicle taxes. There were \$29.7 million in General Fund expenditures.
- General Fund revenue decreased \$1,130,967 from last fiscal year and General Fund expenses decreased \$2,247,286.
- The financial statements reflect revenues of \$8,176,047 from the state on-behalf of District employees for retirement contributions, health insurance, administration fees, debt service and technology with a like amount of expenses recorded.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**District-wide financial statements**

The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and deferred outflows and liabilities and deferred inflows, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 11-12 of this report.

### **Fund financial statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 13-21 of this report.

### **Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements.

The notes to the financial statements can be found on pages 22-52 of this report.

### **DISTRICT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$23.6 million as of June 30, 2024.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

## Net Position for the period ending June 30, 2024 and June 30, 2023

A comparison of June 30, 2024 and June 30, 2023 government wide net position is as follows:

|   | Governmental         |                      | Business - Type       |                       | Total                |                      |
|---|----------------------|----------------------|-----------------------|-----------------------|----------------------|----------------------|
|   | Activities           |                      | Activities            |                       | Primary Government   |                      |
|   | <u>2024</u>          | <u>2023</u>          | <u>2024</u>           | <u>2023</u>           | <u>2024</u>          | <u>2023</u>          |
| Current and Other Assets                              | \$ 13,694,670        | \$ 19,954,019        | \$ 953,538            | \$ 1,992,245          | \$ 14,648,208        | \$ 20,946,264        |
| Capital Assets  | 73,985,667           | 60,494,308           | 601,714               | 606,122               | 74,587,381           | 61,100,430           |
| Deferred Outflows                                     | <u>7,950,368</u>     | <u>8,048,286</u>     | <u>1,192,570</u>      | <u>968,737</u>        | <u>9,142,938</u>     | <u>9,017,023</u>     |
| <b>Total Assets and Deferred Outflows</b>             | <u>95,630,705</u>    | <u>88,496,613</u>    | <u>2,747,822</u>      | <u>2,567,104</u>      | <u>98,378,527</u>    | <u>91,063,717</u>    |
| Current Liabilities                                   | 4,762,062            | 4,349,449            | 37,562                | 0                     | 4,799,624            | 4,349,449            |
| Non-Current Liabilities                               | 57,022,987           | 59,251,207           | 2,425,482             | 3,043,467             | 59,448,469           | 62,294,674           |
| Deferred Inflows                                      | <u>8,994,912</u>     | <u>5,727,923</u>     | <u>1,492,713</u>      | <u>702,290</u>        | <u>10,487,625</u>    | <u>6,430,213</u>     |
| <b>Total Liabilities</b>                              | <u>70,779,961</u>    | <u>69,328,579</u>    | <u>3,955,757</u>      | <u>3,745,757</u>      | <u>74,735,718</u>    | <u>73,074,336</u>    |
| <b>Net Position</b>                                   |                      |                      |                       |                       |                      |                      |
| Investment in capital assets<br>(net of related debt) | 29,242,293           | 17,789,967           | 601,714               | 606,122               | 29,844,007           | 18,396,089           |
| Restricted  | 2,823,333            | 11,022,565           | (1,809,649)           | (1,784,775)           | 1,013,684            | 9,237,790            |
| Unrestricted  | <u>(7,214,882)</u>   | <u>(9,644,498)</u>   | <u>-</u>              | <u>-</u>              | <u>(7,214,882)</u>   | <u>(9,644,498)</u>   |
| <b>Total Net Position</b>                             | <u>\$ 24,850,744</u> | <u>\$ 19,168,034</u> | <u>\$ (1,207,935)</u> | <u>\$ (1,178,653)</u> | <u>\$ 23,642,809</u> | <u>\$ 17,989,381</u> |

The following table presents changes in net position for the fiscal years ended June 30, 2024 and June 30, 2023.

|  | Governmental        |                     | Business - Type    |                   | Total               |                     |
|--|---------------------|---------------------|--------------------|-------------------|---------------------|---------------------|
|  | Activities          |                     | Activities         |                   | Primary Government  |                     |
|  | <u>2024</u>         | <u>2023</u>         | <u>2024</u>        | <u>2023</u>       | <u>2024</u>         | <u>2023</u>         |
| <b>REVENUES</b>                            |                     |                     |                    |                   |                     |                     |
| Program revenues                           |                     |                     |                    |                   |                     |                     |
| Charges for services                       | \$ 73,851           | \$ 10,582           | \$ 175,623         | \$ 190,484        | \$ 249,474          | \$ 201,066          |
| Operating grants and contributions         | 8,989,794           | 8,361,465           | 3,404,709          | 3,132,264         | 12,394,503          | 11,493,729          |
| Capital grants                             | 57,020              | 60,675              |                    |                   | 57,020              | 60,675              |
| General revenues                           |                     |                     |                    |                   |                     |                     |
| Property taxes                             | 6,390,163           | 6,132,711           |                    |                   | 6,390,163           | 6,132,711           |
| Motor vehicle taxes                        | 1,041,088           | 1,015,568           |                    |                   | 1,041,088           | 1,015,568           |
| Utility Taxes                              | 1,354,747           | 1,374,946           |                    |                   | 1,354,747           | 1,374,946           |
| Other taxes                                | 135,881             | 104,620             |                    |                   | 135,881             | 104,620             |
| Investment earnings                        | 877,697             | 449,098             | 42,206             | 36,265            | 919,903             | 485,363             |
| State and formula grants                   | 23,711,806          | 25,672,487          |                    |                   | 23,711,806          | 25,672,487          |
| Miscellaneous                              | 1,762,368           | 1,045,370           | (242,523)          | (175,661)         | 1,519,845           | 1,355,072           |
| <b>Total revenues</b>                      | <u>44,394,415</u>   | <u>44,227,522</u>   | <u>3,380,015</u>   | <u>3,183,352</u>  | <u>47,774,430</u>   | <u>47,410,874</u>   |
| <b>EXPENSES</b>                            |                     |                     |                    |                   |                     |                     |
| Program Activities                         |                     |                     |                    |                   |                     |                     |
| Instructional                              | 22,508,714          | 24,898,502          |                    |                   | 22,508,714          | 24,898,502          |
| Student support                            | 1,860,038           | 1,824,688           |                    |                   | 1,860,038           | 1,824,688           |
| Instructional staff Support                | 1,689,171           | 1,576,492           |                    |                   | 1,689,171           | 1,576,492           |
| District administrative support            | 986,677             | 1,019,935           |                    |                   | 986,677             | 1,019,935           |
| School administrative support              | 1,701,743           | 1,743,678           |                    |                   | 1,701,743           | 1,743,678           |
| Business support                           | 1,085,267           | 1,043,049           |                    |                   | 1,085,267           | 1,043,049           |
| Plant operations and maintenance           | 3,591,447           | 4,037,330           |                    |                   | 3,591,447           | 4,037,330           |
| Student transportation                     | 3,139,919           | 3,109,990           |                    |                   | 3,139,919           | 3,109,990           |
| Community service activities               | 486,689             | 501,006             |                    |                   | 486,689             | 501,006             |
| Other                                      | 0                   | 0                   |                    |                   | 0                   | 0                   |
| Interest costs                             | 1,662,040           | 1,206,431           |                    |                   | 1,662,040           | 1,206,431           |
| Business-type Activities                   |                     |                     |                    |                   |                     |                     |
| Food service                               |                     |                     | 3,409,297          | 3,036,849         | 3,409,297           | 3,036,849           |
| <b>Total expenses</b>                      | <u>38,711,705</u>   | <u>40,961,101</u>   | <u>3,409,297</u>   | <u>3,036,849</u>  | <u>42,121,002</u>   | <u>43,997,950</u>   |
| <b>Increase (decrease) in net position</b> | <u>\$ 5,682,710</u> | <u>\$ 3,266,421</u> | <u>\$ (29,282)</u> | <u>\$ 146,503</u> | <u>\$ 5,653,428</u> | <u>\$ 3,412,924</u> |

On-behalf amounts are included in the above figures. On-behalf payments are payments the state makes on behalf of employees to the various agencies for health and life insurance, benefits, administration fees, technology and debt service. The total on-behalf payments for 2024 and 2023 were \$8,176,047 and \$10,089,329 respectively.

Total revenue for the District increased \$363,556 and expenses decreased \$1,876,948.

**Governmental Activities**

For the governmental program expenses, instructional expenses comprise 58% of total expenses, support services equate to 36%, and interest and other expenses make up the remaining 6% of the total.

The cost of program services and the charges for services and grants offsetting those services are shown on the Statement of Activities. The Statement of activities identifies the net cost of services supported by tax revenue and unrestricted intergovernmental revenues (State entitlements).

|                  | Governmental Activities Total |                      | Governmental Activities Net |                      |
|------------------|-------------------------------|----------------------|-----------------------------|----------------------|
|                  | Cost of Services              |                      | Cost of Services            |                      |
|                  | <u>2024</u>                   | <u>2023</u>          | <u>2024</u>                 | <u>2023</u>          |
| Instructional    | \$ 22,508,714                 | \$ 24,898,502        | \$ 17,717,429               | \$ 19,914,805        |
| Support Services | 14,054,262                    | 14,335,162           | 10,371,498                  | 11,533,607           |
| Other            | 486,689                       | 501,006              | (102,907)                   | (65,789)             |
| Interest Costs   | <u>1,662,040</u>              | <u>1,206,431</u>     | <u>1,605,020</u>            | <u>1,145,756</u>     |
| Total Expenses   | <u>\$ 38,711,705</u>          | <u>\$ 40,961,101</u> | <u>\$ 29,591,040</u>        | <u>\$ 32,528,379</u> |

**Business-Type Activities**

The business type activity at the District consists of Food Service. This program had total revenues of \$3,380,015 and expenses of \$3,409,297 for fiscal year 2024. These revenues were made up of \$175,623 charges for services, \$3,404,709 federal and state operating grants, and \$42,206 earnings on investments. These business-type activities receive no support from tax revenues, and, as such, the District will continue to monitor these activities and make the necessary adjustments to the operations of these activities.

**The School District's Funds**

The information relative to the School District's Funds starts on page 13. These funds use the modified accrual basis of accounting to account for each fund's revenues and expenses. The combined revenue for all governmental funds for 2024 was \$44,131,781 and expenditures were \$55,039,563.

**General Fund Budgetary Highlights**

The District's budget is based on accounting for certain transactions on the cash basis for receipts and expenditures and encumbrances and is prepared according to Kentucky law. The Kentucky Department of Education requires a zero-based budget with any remaining fund balance to be shown as a contingency expense in the budgeting process.

The most significant budgeted fund is the General Fund. The General Fund had budgeted revenues of \$24,936,067 with actual results being \$31,173,234. Budgeted expenditures were \$24,936,067 compared to actual expenditures of \$29,723,054. The most significant cause of the variance between budget and actual revenue were the state on-behalf payments in the amount of \$8,176,047. The most significant cause of the expenditures being over budget was the state on-behalf payments noted above. On-behalf payments were not budgeted.

### Future Budgetary Implications

In Kentucky, the public schools fiscal year is July 1 – June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District has adopted a budget for fiscal year 2024-2025 with an approximate 2% contingency.

Significant Board action that impacts the finances includes the Board’s salary schedules which were increased by 4% for all certified staff and classified staff for the 2024-2025 year. This raise was funded by the increase in the SEEK base. Overall, student average daily attendance remains steady, but the increase in the SEEK base per pupil amount results in an expected increase in overall SEEK funding for FY2025.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At the end of the 2024 fiscal year, the District had invested \$74,436,391 in a broad range of capital assets, including equipment, buses, buildings, and land. This amount represents a net increase of \$13,344,807. Depreciation expense for the year was \$2,910,406, capital additions were \$16,254,363 and capital dispositions, net of depreciation, were \$890.

|                            | Governmental                     |                     | Business - Type                  |                   | Total Primary Government |                      |
|----------------------------|----------------------------------|---------------------|----------------------------------|-------------------|--------------------------|----------------------|
|                            | Activities (Net of Depreciation) |                     | Activities (Net of Depreciation) |                   | (Net of Depreciation)    |                      |
|                            | 2024                             | 2023                | 2024                             | 2023              | 2024                     | 2023                 |
| Land                       | \$ 1,033,505                     | \$1,033,505         | \$ -                             | \$ -              | \$ 1,033,505             | \$ 1,033,505         |
| Construction in Progress   | 2,027,644                        | 2,235,481           |                                  |                   | 2,027,644                | 2,235,481            |
| Land Improvements          | 1,662,470                        | 1,779,598           | -                                | -                 | 1,662,470                | 1,779,598            |
| Buildings and Improvements | 64,414,907                       | 52,026,411          | 436,221                          | 456,550           | 64,851,128               | 52,482,961           |
| Technology                 | 7,387                            | 6,497               | -                                | -                 | 7,387                    | 6,497                |
| Vehicles                   | 2,699,947                        | 1,907,042           | 58,291                           | 36,545            | 2,758,238                | 1,943,587            |
| General Equipment          | 1,988,817                        | 1,496,928           | 107,202                          | 113,027           | 2,096,019                | 1,609,955            |
| <b>Total</b>               | <b>\$73,834,677</b>              | <b>\$60,485,462</b> | <b>\$ 601,714</b>                | <b>\$ 606,122</b> | <b>\$ 74,436,391</b>     | <b>\$ 61,091,584</b> |

|                       | Governmental         |                      | Business - Type   |                   | Total                |                      |
|-----------------------|----------------------|----------------------|-------------------|-------------------|----------------------|----------------------|
|                       | Activities           |                      | Activities        |                   | Primary Government   |                      |
|                       | 2024                 | 2023                 | 2024              | 2023              | 2024                 | 2023                 |
| Beginning Balance     | \$ 60,485,422        | \$ 58,627,694        | \$ 606,122        | \$ 482,367        | \$ 61,091,544        | \$ 59,110,061        |
| Additions             | 16,224,786           | 4,624,885            | 29,577            | 148,625           | 16,254,363           | 4,773,510            |
| Retirements           | 890                  | 0                    | 0                 | 0                 | 890                  | 0                    |
| Depreciation          | (2,876,421)          | (2,767,157)          | (33,985)          | (24,870)          | (2,910,406)          | (2,792,027)          |
| <b>Ending Balance</b> | <b>\$ 73,834,677</b> | <b>\$ 60,485,422</b> | <b>\$ 601,714</b> | <b>\$ 606,122</b> | <b>\$ 74,436,391</b> | <b>\$ 61,091,544</b> |

**Long-Term Debt**

The District made scheduled bond principal payments in the amount of \$2,170,000. The District issued new revenue bonds in the amount of \$3,975,000 during the 2023-24 fiscal year. The District did not have any capital lease obligations for the 2023-24 fiscal year.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers and other interested readers with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the District's Superintendent or Finance Director at (270) 343-3191.

RUSSELL COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2024

|  | GOVERNMENTAL<br>ACTIVITIES | BUSINESS-TYPE<br>ACTIVITIES | TOTAL                    |
|--|----------------------------|-----------------------------|--------------------------|
| <b>ASSETS:</b>   |                            |                             |                          |
| Cash & Cash Equivalents - Note C                             | 12,024,864                 | 595,316                     | 12,620,180               |
| Accounts Receivable:   |                            |                             |                          |
| Taxes - Current  | 320,500                    |                             | 320,500                  |
| Taxes - Delinquent   | 3,368                      |                             | 3,368                    |
| Accounts   | 144,162                    | 241,172                     | 385,334                  |
| Intergovernmental - State                                    | 15,124                     |                             | 15,124                   |
| Intergovernmental - Federal                                  | 992,422                    |                             | 992,422                  |
| Inventories for Consumption                                  |                            | 64,795                      | 64,795                   |
| Total Current Assets   | <u>13,500,440</u>          | <u>901,283</u>              | <u>14,401,723</u>        |
| Noncurrent Assets - Note F                                   |                            |                             |                          |
| Right to Use Assets - Net of Amortization                    | 150,990                    |                             | 150,990                  |
| Net CERS OPEB Benefit  | 194,230                    | 52,255                      | 246,485                  |
| Non-Depreciable Capital Assets                               | 3,061,149                  |                             | 3,061,149                |
| Depreciable Capital Assets - Net of Accumulated Depreciation | 70,773,528                 | 601,714                     | 71,375,242               |
| Total Noncurrent Assets                                      | <u>74,179,897</u>          | <u>653,969</u>              | <u>74,833,866</u>        |
| <b>TOTAL ASSETS</b>  | <u><u>87,680,337</u></u>   | <u><u>1,555,252</u></u>     | <u><u>89,235,589</u></u> |
| Deferred Outflows Related to Other Post Employment Benefits  | 4,532,804                  | 335,036                     | 4,867,840                |
| Deferred Outflows Related to Pensions                        | 3,192,190                  | 857,534                     | 4,049,724                |
| Deferred Outflows Related to Bond Refundings                 | 225,374                    |                             | 225,374                  |
| <b>TOTAL DEFERRED OUTFLOWS</b>                               | <u>7,950,368</u>           | <u>1,192,570</u>            | <u>9,142,938</u>         |
| <b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>                    | <u><u>95,630,705</u></u>   | <u><u>2,747,822</u></u>     | <u><u>98,378,527</u></u> |
| <b>LIABILITIES:</b>  |                            |                             |                          |
| Current Liabilities:   |                            |                             |                          |
| Accounts Payable   | 1,039,718                  | 37,562                      | 1,077,280                |
| Accrued Salaries & Sick Leave - Note A                       | 246,566                    |                             | 246,566                  |
| Advances from Grantors                                       | 794,677                    |                             | 794,677                  |
| Lease Obligation - Note Q                                    | 35,515                     |                             | 35,515                   |
| Bond Obligations - Note E                                    | 2,205,000                  |                             | 2,205,000                |
| Accrued Interest Payable                                     | 440,586                    |                             | 440,586                  |
| Total Current Liabilities                                    | <u>4,762,062</u>           | <u>37,562</u>               | <u>4,799,624</u>         |
| Noncurrent Liabilities:                                      |                            |                             |                          |
| Bond Obligations - Note E                                    | 42,238,139                 |                             | 42,238,139               |
| Lease Obligation - Note Q                                    | 113,730                    |                             | 113,730                  |
| Net Pension Liability  | 9,030,360                  | 2,425,482                   | 11,455,842               |
| Net Other Post Employment Benefits Liability                 | 4,961,000                  |                             | 4,961,000                |
| Accrued Sick Leave - Note A                                  | 679,758                    |                             | 679,758                  |
| Total Noncurrent Liabilities                                 | <u>57,022,987</u>          | <u>2,425,482</u>            | <u>59,448,469</u>        |
| <b>TOTAL LIABILITIES</b>                                     | <u><u>61,785,049</u></u>   | <u><u>2,463,044</u></u>     | <u><u>64,248,093</u></u> |
| Deferred Inflows Related to Other Post Employment Benefits   | 6,959,483                  | 945,279                     | 7,904,762                |
| Deferred Inflows Related to Pensions                         | 2,035,429                  | 547,434                     | 2,582,863                |
| <b>TOTAL DEFERRED INFLOWS</b>                                | <u>8,994,912</u>           | <u>1,492,713</u>            | <u>10,487,625</u>        |
| <b>TOTAL LIABILITIES AND DEFERRED INFLOWS</b>                | <u><u>70,779,961</u></u>   | <u><u>3,955,757</u></u>     | <u><u>74,735,718</u></u> |
| <b>NET POSITION:</b>   |                            |                             |                          |
| Net Investment in Capital Assets                             | 29,242,293                 | 601,714                     | 29,844,007               |
| Restricted for:  |                            |                             |                          |
| Capital Projects   | 2,310,442                  |                             | 2,310,442                |
| Grants   | 10,628                     |                             | 10,628                   |
| Student Activities   | 278,500                    |                             | 278,500                  |
| SFCC Escrow  | 223,763                    |                             | 223,763                  |
| Food Service   |                            | (1,809,649)                 | (1,809,649)              |
| Unrestricted   | <u>(7,214,882)</u>         |                             | <u>(7,214,882)</u>       |
| <b>TOTAL NET POSITION</b>                                    | <u>24,850,744</u>          | <u>(1,207,935)</u>          | <u>23,642,809</u>        |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>  | <u><u>95,630,705</u></u>   | <u><u>2,747,822</u></u>     | <u><u>98,378,527</u></u> |

See independent auditor's report and accompanying notes to financial statements.



RUSSELL COUNTY SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2024

| FUNCTION/PROGRAMS                     | PROGRAM REVENUES  |                         |  | NET(EXPENSE) REVENUE AND CHANGES<br>IN NET POSITION |                            |                             |                     |
|---------------------------------------|-------------------|-------------------------|--|---|----------------------------|-----------------------------|---------------------|
|                                       | EXPENSES          | CHARGES FOR<br>SERVICES | OPERATING<br>GRANTS AND<br>CONTRIBUTIONS | CAPITAL<br>GRANTS AND<br>CONTRIBUTIONS              | GOVERNMENTAL<br>ACTIVITIES | BUSINESS-TYPE<br>ACTIVITIES | TOTAL               |
| <b>GOVERNMENTAL ACTIVITIES:</b>       |                   |                         |  |   |                            |                             |                     |
| Instructional                         | 22,508,714        |                         | 4,791,285                                |   | (17,717,429)               |                             | (17,717,429)        |
| Support Services:                     |                   |                         |  |   |                            |                             |                     |
| Student Support Services              | 1,860,038         |                         | 51,341                                   |   | (1,808,697)                |                             | (1,808,697)         |
| Staff Support Services                | 1,689,171         |                         | 1,102,180                                |   | (586,991)                  |                             | (586,991)           |
| District Administration               | 986,677           |                         |  |   | (986,677)                  |                             | (986,677)           |
| School Administration                 | 1,701,743         |                         |  |   | (1,701,743)                |                             | (1,701,743)         |
| Business Support Services             | 1,085,267         |                         | 5,806                                    |   | (1,079,461)                |                             | (1,079,461)         |
| Plant Operation & Maintenance         | 3,591,447         |                         | 1,383,903                                |   | (2,207,544)                |                             | (2,207,544)         |
| Student Transportation                | 3,139,919         | 73,851                  | 1,065,683                                |   | (2,000,385)                |                             | (2,000,385)         |
| Community Service Operations          | 486,689           |                         | 589,596                                  |   | 102,907                    |                             | 102,907             |
| Interest on Long-Term Debt            | 1,662,040         |                         |  | 57,020  | (1,605,020)                |                             | (1,605,020)         |
| <b>TOTAL GOVERNMENTAL ACTIVITIES</b>  | <b>38,711,705</b> | <b>73,851</b>           | <b>8,989,794</b>                         | <b>57,020</b>                                       | <b>(29,591,040)</b>        |                             | <b>(29,591,040)</b> |
| <b>BUSINESS-TYPE ACTIVITIES:</b>      |                   |                         |  |   |                            |                             |                     |
| Food Service                          | 3,409,297         | 175,623                 | 3,404,709                                |   |                            | 171,035                     | 171,035             |
| <b>TOTAL BUSINESS-TYPE ACTIVITIES</b> | <b>3,409,297</b>  | <b>175,623</b>          | <b>3,404,709</b>                         | <b>0</b>  | <b>0</b>                   | <b>171,035</b>              | <b>171,035</b>      |
| <b>TOTAL SCHOOL DISTRICT</b>          | <b>42,121,002</b> | <b>249,474</b>          | <b>12,394,503</b>                        | <b>57,020</b>                                       | <b>(29,591,040)</b>        | <b>171,035</b>              | <b>(29,420,005)</b> |
| <b>GENERAL REVENUES:</b>              |                   |                         |  |   |                            |                             |                     |
| Taxes:                                |                   |                         |  |   |                            |                             |                     |
| Property                              |                   |                         |  |   | 6,390,163                  |                             | 6,390,163           |
| Motor Vehicle                         |                   |                         |  |   | 1,041,088                  |                             | 1,041,088           |
| Utility                               |                   |                         |  |   | 1,354,747                  |                             | 1,354,747           |
| Other                                 |                   |                         |  |   | 135,881                    |                             | 135,881             |
| State Aid - Formula Grants            |                   |                         |  |   | 23,711,806                 |                             | 23,711,806          |
| Investment Earnings                   |                   |                         |  |   | 877,697                    | 42,206                      | 919,903             |
| Miscellaneous                         |                   |                         |  |   | 1,500,624                  |                             | 1,500,624           |
| Funds Transfer (Expense)              |                   |                         |  |   | 242,963                    | (242,963)                   | 0                   |
| Gain(Loss) Sale of Assets             |                   |                         |  |   | 18,781                     | 440                         | 19,221              |
| <b>TOTAL GENERAL &amp; TRANSFERS</b>  |                   |                         |  |   | <b>35,273,750</b>          | <b>(200,317)</b>            | <b>35,073,433</b>   |
| <b>CHANGE IN NET POSITION</b>         |                   |                         |  |   | <b>5,682,710</b>           | <b>(29,282)</b>             | <b>5,653,428</b>    |
| <b>NET POSITION - BEGINNING</b>       |                   |                         |  |   | <b>19,168,034</b>          | <b>(1,178,653)</b>          | <b>17,989,381</b>   |
| <b>NET POSITION - ENDING</b>          |                   |                         |  |   | <b>24,850,744</b>          | <b>(1,207,935)</b>          | <b>23,642,809</b>   |

See independent auditor's report and accompanying notes to financial statements.

RUSSELL COUNTY SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2024

|  | GENERAL<br>FUND  | SPECIAL<br>REVENUE | CONSTRUCTION<br>FUND | OTHER<br>GOVERNMENTAL<br>FUNDS | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|--|------------------|--------------------|----------------------|--------------------------------|--------------------------------|
| <b>ASSETS:</b>                             |                  |                    |                      |                                |                                |
| Cash & Cash Equivalents                    | 8,441,599        |                    | 3,047,521            | 535,744                        | 12,024,864                     |
| Prepaid Expenses                           |                  |                    |                      |                                | 0                              |
| Accounts Receivable:                       |                  |                    |                      |                                |                                |
| Taxes - Current                            | 320,500          |                    |                      |                                | 320,500                        |
| Taxes - Delinquent                         | 3,368            |                    |                      |                                | 3,368                          |
| Accounts                                   | 143,730          |                    |                      | 432                            | 144,162                        |
| Interfund Receivable                       | 106,316          |                    |                      |                                | 106,316                        |
| Intergovernmental - State                  |                  | 15,124             |                      |                                | 15,124                         |
| Intergovernmental - Federal                | 31,322           | 961,100            |                      |                                | 992,422                        |
| <b>TOTAL ASSETS</b>                        | <u>9,046,835</u> | <u>976,224</u>     | <u>3,047,521</u>     | <u>536,176</u>                 | <u>13,606,756</u>              |
| <b>LIABILITIES AND FUND BALANCE:</b>       |                  |                    |                      |                                |                                |
| Liabilities:                               |                  |                    |                      |                                |                                |
| Accounts Payable                           | 204,123          | 64,603             | 737,079              | 33,913                         | 1,039,718                      |
| Accrued Salaires & Benefits                |                  |                    |                      |                                | 0                              |
| Interfund Payable                          |                  | 106,316            |                      |                                | 106,316                        |
| Advances From Grantors                     |                  | 794,677            |                      |                                | 794,677                        |
| <b>Total Liabilities</b>                   | <u>204,123</u>   | <u>965,596</u>     | <u>737,079</u>       | <u>33,913</u>                  | <u>1,940,711</u>               |
| Fund Balance:                              |                  |                    |                      |                                |                                |
| Non-Spendable                              |                  |                    |                      |                                | 0                              |
| Restricted for:                            |                  |                    |                      |                                |                                |
| Capital Projects                           |                  |                    | 2,310,442            |                                | 2,310,442                      |
| SFCC Escrow                                |                  |                    |                      | 223,763                        | 223,763                        |
| School Activiies                           |                  |                    |                      | 278,500                        | 278,500                        |
| Grants                                     |                  | 10,628             |                      |                                | 10,628                         |
| Assigned for:                              |                  |                    |                      |                                |                                |
| Purchase Obligations                       | 1,557,214        |                    |                      |                                | 1,557,214                      |
| Unassigned Fund Balance                    | 7,285,498        |                    |                      |                                | 7,285,498                      |
| <b>Total Fund Balance</b>                  | <u>8,842,712</u> | <u>10,628</u>      | <u>2,310,442</u>     | <u>502,263</u>                 | <u>11,666,045</u>              |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <u>9,046,835</u> | <u>976,224</u>     | <u>3,047,521</u>     | <u>536,176</u>                 | <u>13,606,756</u>              |

See independent auditor's report and accompanying notes to financial statements.

RUSSELL COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2024

Amounts reported for governmental activities in the statement of net position are different because:

|   |                     |                          |
|---|---------------------|--------------------------|
| TOTAL GOVERNMENTAL FUND BALANCE   |                     | 11,666,045               |
| Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.                  |                     |                          |
| Cost of Capital Assets  | 112,592,950         |                          |
| Accumulated Depreciation  | <u>(38,758,273)</u> | 73,834,677               |
| Right to Use Asset - Net of Amortization  |                     | 150,990                  |
| Deferred Outflows Related to Bond Refundings are not current assets and therefore are not reported as assets in governmental funds.                         |                     | 225,374                  |
| Deferred Outflows Related to Pensions are not current assets and therefore are not reported as assets in governmental funds.                                |                     | 3,192,190                |
| Deferred Outflows Related to Other Post Employment Benefits are not current assets and therefore are not reported as assets in governmental funds.          |                     | 4,532,804                |
| Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.   |                     |                          |
| Long-term liabilities at year end consist of:   |                     |                          |
| Bonds Payable   | (44,890,000)        |                          |
| Accrued Interest on Bonds   | (440,586)           |                          |
| Unamortized Bond Premiums   | (14,940)            |                          |
| Unamortized Bond Discounts  | 461,801             |                          |
| Lease Obligation  | (149,245)           |                          |
| Net Pension Liability   | (9,030,360)         |                          |
| Net Other Post Employment Benefits Liability  | (4,766,770)         |                          |
| Accrued Sick Leave  | <u>(926,324)</u>    | (59,756,424)             |
| Deferred Inflows Related to Other Post Employment Benefits are not current liabilities and therefore are not reported as liabilities in governmental funds. |                     | (6,959,483)              |
| Deferred Inflows Related to Pensions are not current liabilities and therefore are not reported as liabilities in governmental funds.                       |                     | <u>(2,035,429)</u>       |
| TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES  |                     | <u><u>24,850,744</u></u> |

See independent auditor's report and accompanying notes to financial statements.

RUSSELL COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2024

|   | GENERAL           | SPECIAL<br>REVENUE | CONSTRUCTION<br>FUND | OTHER<br>GOVERNMENTAL<br>FUNDS | TOTAL<br>GOVERNMENTAL<br>FUNDS |
|---|-------------------|--------------------|----------------------|--------------------------------|--------------------------------|
| <b>REVENUES:</b>                                      |                   |                    |                      |                                |                                |
| Taxes:  |                   |                    |                      |                                |                                |
| Property  | 4,180,168         |                    |                      | 2,209,995                      | 6,390,163                      |
| Motor Vehicle   | 1,041,088         |                    |                      |                                | 1,041,088                      |
| Utility   | 1,354,747         |                    |                      |                                | 1,354,747                      |
| Other   | 135,881           |                    |                      |                                | 135,881                        |
| Earnings on Investments                               | 568,136           | 13,774             | 295,787              |                                | 877,697                        |
| Intergovernmental - State                             | 20,954,464        | 1,364,582          | 363,996              | 2,450,366                      | 25,133,408                     |
| Intergovernmental - Federal                           | 646,162           | 6,979,050          |                      |                                | 7,625,212                      |
| Other Sources   | 884,250           | 99,174             |                      | 590,161                        | 1,573,585                      |
| <b>TOTAL REVENUES</b>                                 | <b>29,764,896</b> | <b>8,456,580</b>   | <b>659,783</b>       | <b>5,250,522</b>               | <b>44,131,781</b>              |
| <b>EXPENDITURES:</b>                                  |                   |                    |                      |                                |                                |
| Instructional   | 17,105,537        | 3,955,021          |                      | 648,702                        | 21,709,260                     |
| Support Services:                                     |                   |                    |                      |                                |                                |
| Student Support Services                              | 1,850,092         | 42,380             |                      |                                | 1,892,472                      |
| Staff Support Services                                | 794,489           | 909,807            |                      |                                | 1,704,296                      |
| District Administration                               | 991,072           |                    |                      |                                | 991,072                        |
| School Administration                                 | 1,733,262         |                    |                      |                                | 1,733,262                      |
| Business Support Services                             | 1,094,594         | 4,793              |                      |                                | 1,099,387                      |
| Plant Operation & Maintenance                         | 3,001,480         | 1,142,359          |                      |                                | 4,143,839                      |
| Student Transportation                                | 3,088,112         | 879,680            |                      |                                | 3,967,792                      |
| Community Service Operations                          |                   | 486,689            |                      |                                | 486,689                        |
| Facilities Acquisition & Construction                 |                   |                    | 13,677,345           |                                | 13,677,345                     |
| Debt Service:   |                   |                    |                      |                                |                                |
| Principal   |                   |                    |                      | 2,170,000                      | 2,170,000                      |
| Interest  |                   |                    |                      | 1,464,149                      | 1,464,149                      |
| <b>TOTAL EXPENDITURES</b>                             | <b>29,658,638</b> | <b>7,420,729</b>   | <b>13,677,345</b>    | <b>4,282,851</b>               | <b>55,039,563</b>              |
| <b>EXCESS(DEFICIT) REVENUES OVER<br/>EXPENDITURES</b> | <b>106,258</b>    | <b>1,035,851</b>   | <b>(13,017,562)</b>  | <b>967,671</b>                 | <b>(10,907,782)</b>            |
| <b>OTHER FINANCING SOURCES(USES):</b>                 |                   |                    |                      |                                |                                |
| Proceeds from Sale of Bonds                           |                   |                    | 3,975,000            |                                | 3,975,000                      |
| Discount on Issuance of Bonds                         |                   |                    | (78,014)             |                                | (78,014)                       |
| Proceeds from Sale of Assets                          | 18,781            |                    |                      |                                | 18,781                         |
| Operating Transfers In - Note M                       | 1,389,557         | 64,416             | 1,817,359            | 3,447,959                      | 6,719,291                      |
| Operating Transfers Out - Note M                      | (64,416)          | (1,100,267)        |                      | (5,311,645)                    | (6,476,328)                    |
| <b>TOTAL OTHER FINANCING SOURCES</b>                  | <b>1,343,922</b>  | <b>(1,035,851)</b> | <b>5,714,345</b>     | <b>(1,863,686)</b>             | <b>4,158,730</b>               |
| <b>NET CHANGE IN FUND BALANCES</b>                    | <b>1,450,180</b>  | <b>0</b>           | <b>(7,303,217)</b>   | <b>(896,015)</b>               | <b>(6,749,052)</b>             |
| <b>FUND BALANCES - BEGINNING</b>                      | <b>7,392,532</b>  | <b>10,628</b>      | <b>9,613,659</b>     | <b>1,398,278</b>               | <b>18,415,097</b>              |
| <b>FUND BALANCES - ENDING</b>                         | <b>8,842,712</b>  | <b>10,628</b>      | <b>2,310,442</b>     | <b>502,263</b>                 | <b>11,666,045</b>              |

See independent auditor's report and accompanying notes to financial statements.

RUSSELL COUNTY SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2024

Amounts reported for governmental activities in the statement of net position are different because:

|  |             |             |
|--|-------------|-------------|
| NET CHANGES - GOVERNMENTAL FUNDS   |             | (6,749,052) |
| <p>Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital exceeds depreciation expense for the year.</p>   |             |             |
| Depreciation Expense   | (2,876,421) |             |
| Capital Outlays  | 16,224,786  |             |
|  | 13,348,365  | 13,348,365  |
| <p>Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.</p> |             |             |
| Proceeds from Bond Issuance  | (3,896,986) |             |
| Principal Paid   | 2,170,000   |             |
| Lease Obligations Paid   | 31,400      |             |
|  | (1,695,586) | (1,695,586) |
| <p>Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.</p>  |             |             |
| Amortization-Deferred Outflow on Bond Refundings   | (100,160)   |             |
| Amortization - Bond Premiums   | 4,718       |             |
| Amortization - Bond Discounts  | (24,833)    |             |
| District Pension Contributions   | 1,201,557   |             |
| Cost of Benefits Earned Net of Employee Contributions  | (1,183,819) |             |
| District Other Post Employment Benefits Contributions  | 448,811     |             |
| Cost of Benefits Earned Net of Employee Contributions - OPEB   | 438,460     |             |
| Accrued Interest Payable   | (66,003)    |             |
| Amorization Right of Use Assets  | (31,836)    |             |
| Accrued Sick Leave   | 92,088      |             |
|  | 778,983     | 778,983     |
| CHANGES - NET POSITION GOVERNMENTAL FUNDS  |             | 5,682,710   |

See independent auditor's report and accompanying notes to financial statements.

RUSSELL COUNTY SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2024

|   | ENTERPRISE<br>FUND |
|---|--------------------|
|   | FOOD<br>SERVICE    |
| ASSETS:   |                    |
| Current Assets:   |                    |
| Cash & Cash Equivalents                                     | 595,316            |
| Accounts Receivable   | 241,172            |
| Inventories for Consumption                                 | 64,795             |
| Total Current Assets  | 901,283            |
| Noncurrent Assets:  |                    |
| Net OPEB Benefit  | 52,255             |
| Furniture & Equipment                                       | 2,106,662          |
| Less: Accumulated Depreciation                              | (1,504,948)        |
| Total Noncurrent Assets                                     | 653,969            |
| TOTAL ASSETS  | 1,555,252          |
| Deferred Outflows Related to Other Post Employment Benefits | 335,036            |
| Deferred Outflows Related to Pensions                       | 857,534            |
| TOTAL ASSETS AND DEFERRED OUTFLOWS                          | 2,747,822          |
| LIABILITIES:  |                    |
| Current Liabilities:  |                    |
| Account Payable   | 37,562             |
| Total Current Liabilities                                   | 37,562             |
| Noncurrent Liabilities:                                     |                    |
| Net Pension Liability                                       | 2,425,482          |
| Total Noncurrent Liabilities                                | 2,425,482          |
| TOTAL LIABILITIES   | 2,463,044          |
| Deferred Inflows Related to Other Post Employment Benefits  | 945,279            |
| Deferred Inflows Related to Pensions                        | 547,434            |
| TOTAL LIABILITIES AND DEFERRED INFLOWS                      | 3,955,757          |
| Net Position:   |                    |
| Net Investment in Capital Assets                            | 601,714            |
| Restricted  | (1,809,649)        |
| Total Net Position  | (1,207,935)        |
| TOTAL LIABILITIES AND NET POSITION                          | 2,747,822          |

See independent auditor's report and accompanying notes to financial statements.

RUSSELL COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2024

|   | ENTERPRISE<br>FUND |
|---|--------------------|
|   | FOOD<br>SERVICE    |
| OPERATING REVENUES:                       |                    |
| Lunchroom Sales                           | 132,235            |
| Other Operating Revenues                  | 43,388             |
| TOTAL OPERATING REVENUES                  | 175,623            |
| OPERATING EXPENSES:                       |                    |
| Salaries & Benefits                       | 1,504,289          |
| Contract Services                         | 65,033             |
| Materials & Supplies                      | 1,803,539          |
| Other Operating Expenses                  | 2,451              |
| Depreciation - Note F                     | 33,985             |
| TOTAL OPERATING EXPENSES                  | 3,409,297          |
| OPERATING INCOME(LOSS)                    | (3,233,674)        |
| NONOPERATING REVENUES(EXPENSES):          |                    |
| Federal Grants                            | 2,987,079          |
| State Grants                              | 288,886            |
| Donated Commodities                       | 128,744            |
| Interest Income                           | 42,206             |
| Sale of Equipment                         | 440                |
| Transfer Out to General Fund              | (242,963)          |
| TOTAL NONOPERATING REVENUE                | 3,204,392          |
| INCOME(LOSS) BEFORE CAPITAL CONTRIBUTIONS | (29,282)           |
| CAPITAL CONTRIBUTIONS                     | 0                  |
| CHANGE IN NET POSITION                    | (29,282)           |
| TOTAL NET POSITION - BEGINNING            | (1,178,653)        |
| TOTAL NET POSITION - ENDING               | (1,207,935)        |

See independent auditor's report and accompanying notes to financial statements.

RUSSELL COUNTY SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2024

|  | <u>FOOD<br/>SERVICE</u>   |
|--|---------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                           |
| Cash Received from:  |                           |
| Lunchroom Sales  | 132,235                   |
| Other Activities   | 43,388                    |
| Cash Paid to/for:  |                           |
| Employees  | (1,338,635)               |
| Supplies   | (1,658,660)               |
| Other Activities   | <u>(67,484)</u>           |
| Net Cash Provided (Used) by Operating Activities   | (2,889,156)               |
| <b>CASH FLOWS FROM NON-CAPITAL AND RELATED<br/>FINANCING ACTIVITIES:</b>                         |                           |
| Transfer out to General Fund   | (242,963)                 |
| Federal Grants   | 2,767,758                 |
| State Grants   | <u>19,582</u>             |
| Net Cash Provided by Non-Capital and Related Financing Activities                                | 2,544,377                 |
| <b>CASH FLOWS FROM CAPITAL AND RELATED<br/>FINANCING ACTIVITIES</b>                              |                           |
|  | 0                         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                           |
| Purchase of Fixed Assets   | (29,577)                  |
| Proceeds from Sale of Fixed Assets   | 440                       |
| Receipt of Interest Income   | <u>42,206</u>             |
| Net Cash Provided by Investing Activities  | <u>13,069</u>             |
| Net Increase (Decrease) in Cash and Cash Equivalents   | (331,710)                 |
| Balances, Beginning of Year  | <u>927,026</u>            |
| Balances, End of Year  | <u><u>595,316</u></u>     |
| <b>RECONCILIATION OF OPERATING LOSS TO NET CASH<br/>PROVIDED (USED) BY OPERATING ACTIVITIES:</b> |                           |
| Operating Loss   | (3,233,674)               |
| Adjustments to Reconcile Operating Loss to Net Cash Provided (Used)<br>by Operating Activities   |                           |
| Depreciation   | 33,985                    |
| State On-Behalf Payments   | 269,305                   |
| Donated Commodities  | 128,744                   |
| Change in Assets, Deferred Outflows, Liabilities and Deferred Inflows:                           |                           |
| Deferred Outflows  | (223,833)                 |
| Deferred Inflows   | 790,423                   |
| Net Pension Liability  | 35,683                    |
| Net Other Post Employment Benefits Liability   | (705,924)                 |
| Inventory  | (21,427)                  |
| Accounts Payable   | <u>37,562</u>             |
| Net Cash Provided (Used) by Operating Activities   | <u><u>(2,889,156)</u></u> |
| <b>Schedule of Non-Cash Transactions:</b>  |                           |
| Donated Commodities  | 128,744                   |
| State On-Behalf Payments   | 269,305                   |

See independent auditor's report and accompanying notes to financial statements.



RUSSELL COUNTY SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2024

|                            | SCHOLARSHIP<br>FUND |
|----------------------------|---------------------|
| ASSETS:                    |                     |
| Cash and Cash Equivalents  | 3,128               |
| TOTAL ASSETS               | 3,128               |
| LIABILITIES:               |                     |
| Scholarships Payable       | 1,000               |
| TOTAL LIABILITIES          | 1,000               |
| NET POSITION HELD IN TRUST | 2,128               |

See independent auditor's report and accompanying notes to financial statements.

RUSSELL COUNTY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2024

|  | <u>PRIVATE<br/>PURPOSE<br/>TRUST FUNDS</u> |
|--|--|
| ADDITIONS:                                     |  |
| Scholarship Funds Contributed                  | 1,000                                      |
| DEDUCTIONS:                                    |  |
| Benefits Paid                                  | <u>2,500</u>                               |
| Changes in Net Position                        | (1,500)                                    |
| NET POSITION HELD IN TRUST - BEGINNING OF YEAR | <u>3,628</u>                               |
| NET POSITION HELD IN TRUST - END OF YEAR       | <u><u>2,128</u></u>                        |

See independent auditor's report and accompanying notes to financial statements.

RUSSELL COUNTY SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2024

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

The Russell County Board of Education (“Board”), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Russell County Board of Education (“District”). The District receives funding from local, state, and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Russell County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organizations are included in the accompanying financial statements:

Russell County Board of Education Finance Corporation – In a prior year, the Board of Education resolved to authorize the establishment of the Russell County School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the “Corporation”) as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation’s Board of Directors.

Basis of Presentation

Government-Wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

### I. Governmental Fund Types

- A. The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- B. The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards and related notes. This is a major fund of the District.
- C. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
  1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
  3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
- D. Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on generally obligation notes payable, as required by Kentucky law. This is a major fund of the District.

### II. Proprietary Fund Types (Enterprise Fund)

The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

### III. Fiduciary Fund Type (Private Purpose Trust Fund)

- A. The Private Purpose Trust funds are used to report trust arrangements under which principal and income benefit individuals, private organization, or other governments.

### Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Nonexchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of the fiscal year-end.

Proprietary Fund operating revenues are defined as revenues received from the direct purchases of products and services (i.e. food service). Non-operating revenues are not related to direct purchases of products; for the District, these revenues are typically investment income and state and federal grant revenues.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of costs, such as depreciation, are not recognized in governmental funds.

### Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2024, to finance the General Fund operations were \$0.508 per \$100 valuation for real property, \$0.511 per \$100 valuation for business personal property, and \$0.522 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial, and mixed gases.

### Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

| <b>Description</b>         | <b>Governmental Activities<br/>Estimated Lives</b> |
|----------------------------|--|
| Buildings and improvements | 25-50 years  |
| Land improvements          | 20 years   |
| Technology equipment       | 5 years  |
| Vehicles                   | 5-10 years   |
| Audio-visual equipment     | 15 years   |
| Food service equipment     | 10-12 years  |
| Furniture and fixtures     | 7 years  |
| Rolling stock              | 15 years   |
| Other                      | 10 years   |

### Interfund Balances

On fund financial statements, receivables and payable resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental and business-type activities columns of the statements of net position except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

### Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will have received from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the amount “accumulated sick leave payable” in the general fund. The noncurrent portion of the liability is reported as a reserve of fund balance.

### Budgetary Process

**Budgetary Basis of Accounting:** The District’s budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

### Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

### Inventories

On government-wide financial statements, inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method.

### Investments

The private purpose trust funds record investments at their quoted market prices. All realized gains and losses and changes in fair value are recorded in the Statement of Changes in Fiduciary Net Position.

### Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

### Fund Balance

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Superintendent.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The District uses *restricted/committed* amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as grant agreements requiring dollar for dollar spending. Additionally, the District would first use *committed*, then *assigned*, and lastly *unassigned* amounts for unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy.

### Major Special Revenue Fund

Special Revenue

### Revenue Source

State, Local and Federal Grants

### Net Position

Net Position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

### Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

### Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

### Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### Pensions

Teachers' Retirement System - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Retirement System of the State of Kentucky (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

County Employees Retirement System - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System of the State of Kentucky (CERS) and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Since certain expense items are amortized over the closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense the amounts are labeled deferred inflows. If amounts will increase pension expense the amounts are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average expected remaining service life of the active and inactive plan members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period.

### Postemployment Benefits Other Than Pensions

Teachers' Retirement System – For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Teachers' Retirement System of the State of Kentucky (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

County Employees Retirement System - For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System of the State of Kentucky (CERS) and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Since certain expense items are amortized over the closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense the amounts are labeled deferred inflows. If amounts will increase pension expense the amounts are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average expected remaining service life of the active and inactive plan members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five-year period.

### NOTE B – ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the general-purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

### NOTE C – CASH AND CASH EQUIVALENTS

Custodial Credit Risk - Deposits. Custodial Credit is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities.

At year-end, the carrying amount of the District's total cash and cash equivalents was \$12,623,308. Of the total cash balance, \$250,000 was covered by Federal Depository Insurance, with the remainder covered by collateral agreements and collateral held by the pledging bank's trust department. Cash equivalents are funds temporarily invested in securities with maturity of 90 days or less.

Cash and cash equivalents at June 30, 2024, consisted of the following:

|   | <b>Bank Balance</b> | <b>Book Balance</b> |
|---|---------------------|---------------------|
| First National Bank                       | <u>14,745,706</u>   | <u>12,623,308</u>   |
| Breakdown per financial statements:       |                     |                     |
| Governmental Funds                        |                     | 12,024,864          |
| Proprietary Funds                         |                     | <u>595,316</u>      |
| Subtotal                                  |                     | 12,620,180          |
| Fiduciary Funds                           |                     | <u>3,128</u>        |
| Total Cash and Cash Equivalents All Funds |                     | <u>12,623,308</u>   |

### NOTE D – INVESTMENTS

The District held no investments on June 30, 2024.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**NOTE E – LONG TERM OBLIGATIONS**

The amount shown in the accompanying financial statements as bond obligations represents the District's future obligations to make payments relating to the bonds issued by the Russell County School District Finance Corporation in the original amount aggregating \$58,025,000.

The original amount of each issue and interest rates are summarized below:

|                    |            |                |
|--------------------|------------|----------------|
| 2011               | 5,940,000  | 1.00% - 3.50%  |
| 2013 Refunding     | 4,840,000  | 1.00% - 2.05%  |
| 2014               | 10,875,000 | 2.00% - 4.00%  |
| 2015               | 1,640,000  | 2.50% - 3.50%  |
| 2015 Refunding     | 2,060,000  | 2.00% - 2.50%  |
| 2016 Refunding     | 5,395,000  | 2.00% - 2.25%  |
| 2019               | 11,060,000 | 3.00% - 3.75%  |
| 2023               | 12,240,000 | 4.00% - 4.125% |
| 2023 Second Series | 3,975,000  | 3.50% - 4.125% |

The District, through the General Fund (including utility taxes and the Support Education Excellence (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Russell County School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The District has "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs. The table sets forth the amount to be paid by the Board and the Commission for each year until maturity of all bonds issued. The Kentucky School Construction Commission's participation is limited to the biennial budget period of the Commonwealth of Kentucky with the right reserved by the Kentucky School Construction Commission to terminate the commitment to pay the agreed participation every two years. The obligation of the Kentucky School Construction Commission to make the agreed payments automatically renews each two years for a period of two years unless the Kentucky School Construction Commission gives notice of its intention not to participate not less than sixty days prior to the end of its biennium.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the maturity, the minimum obligations of the District, including amounts to be paid by the Commission at June 30, 2024, for debt service (principal and interest) are as follows:

| Year    | Principal         | Interest          | Participation    | District's<br>Portion |
|---------|-------------------|-------------------|------------------|-----------------------|
| 2024-25 | 2,205,000         | 1,592,776         | 164,340          | 3,633,436             |
| 2025-26 | 2,265,000         | 1,514,114         | 160,770          | 3,618,344             |
| 2026-27 | 2,310,000         | 1,461,850         | 153,772          | 3,618,078             |
| 2027-28 | 2,340,000         | 1,402,145         | 127,228          | 3,614,917             |
| 2028-29 | 2,265,000         | 1,345,638         | 127,227          | 3,483,411             |
| 2029-30 | 2,350,000         | 1,272,112         | 136,336          | 3,485,776             |
| 2030-31 | 2,425,000         | 1,193,902         | 135,606          | 3,483,296             |
| 2031-32 | 2,505,000         | 1,111,525         | 135,659          | 3,480,866             |
| 2032-33 | 2,590,000         | 1,025,700         | 135,846          | 3,479,854             |
| 2033-34 | 2,690,000         | 928,719           | 135,677          | 3,483,042             |
| 2034-35 | 2,275,000         | 826,795           | 135,277          | 2,966,518             |
| 2035-36 | 2,255,000         | 740,513           | 133,846          | 2,861,667             |
| 2036-37 | 2,345,000         | 654,064           | 133,667          | 2,865,397             |
| 2037-38 | 2,435,000         | 562,863           | 133,533          | 2,864,330             |
| 2038-39 | 2,530,000         | 468,176           | 132,438          | 2,865,738             |
| 2039-40 | 2,040,000         | 369,788           | -                | 2,409,788             |
| 2040-41 | 2,120,000         | 288,188           | -                | 2,408,188             |
| 2041-42 | 2,205,000         | 203,388           | -                | 2,408,388             |
| 2042-43 | 1,935,000         | 113,025           | -                | 2,048,025             |
| 2043-44 | 805,000           | 33,206            | -                | 838,206               |
|         | <u>44,890,000</u> | <u>17,108,479</u> | <u>2,081,222</u> | <u>59,917,257</u>     |

Long-term liability activity for the year ended June 30, 2024, was as follows:

|                                   | Beginning<br>Balance | Additions        | Reductions       | Ending<br>Balance | Due Within<br>One Year |
|-----------------------------------|----------------------|------------------|------------------|-------------------|------------------------|
| <b>Primary Government</b>         |                      |                  |                  |                   |                        |
| Governmental Activities:          |                      |                  |                  |                   |                        |
| Revenue Bonds Payable             | 43,085,000           | 3,975,000        | 2,170,000        | 44,890,000        | 2,205,000              |
| Add: Bond Premium                 | 19,659               | 0                | 4,719            | 14,940            | 4,718                  |
| Less: Bond Discount               | <u>(408,620)</u>     | <u>(78,014)</u>  | <u>(24,833)</u>  | <u>(461,801)</u>  | <u>(26,784)</u>        |
| Net Revenue Bonds Payable         | 42,696,039           | 3,896,986        | 2,149,886        | 44,443,139        | 2,182,934              |
| Lease Obligation                  | 8,302                | 172,343          | 31,400           | 149,245           | 35,515                 |
| Net Pension Liability             | 8,897,727            | 132,633          | 0                | 9,030,360         | 0                      |
| Net OPEB Liability                | 9,066,671            | 0                | 4,105,671        | 4,961,000         | 0                      |
| Accrued Sick Leave                | <u>1,018,412</u>     | <u>23,026</u>    | <u>115,114</u>   | <u>926,324</u>    | <u>246,566</u>         |
| Total Governmental<br>Activities: | 61,687,151           | 4,224,988        | 6,402,071        | 59,510,068        | 2,465,015              |
| Proprietary Activities:           |                      |                  |                  |                   |                        |
| Net Pension Liability             | 2,389,799            | 35,683           | 0                | 2,425,482         | 0                      |
| Net OPEB Liability                | <u>653,668</u>       | <u>0</u>         | <u>653,668</u>   | <u>0</u>          | <u>0</u>               |
| Long-Term Liabilities             | <u>64,730,618</u>    | <u>4,260,671</u> | <u>7,055,739</u> | <u>61,935,550</u> | <u>2,465,015</u>       |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2024, was as follows:

|   | BEGINNING<br>BALANCE | ADDITIONS         | RETIREMENTS    | ENDING<br>BALANCE  |
|---|----------------------|-------------------|----------------|--------------------|
| <b>GOVERNMENTAL ACTIVITIES:</b>   |                      |                   |                |                    |
| Non-Depreciable Assets:   |                      |                   |                |                    |
| Land  | 1,033,505            |                   |                | 1,033,505          |
| Construction in Process   | 2,235,481            | 13,695,701        | (13,903,538)   | 2,027,644          |
| Depreciable Assets:   |                      |                   |                |                    |
| Land Improvements   | 3,764,421            |                   |                | 3,764,421          |
| Buildings & Building Improvements   | 79,775,376           | 758,887           | 13,903,538     | 94,437,801         |
| Technology Equipment  | 1,395,785            |                   | 502,013        | 893,772            |
| Vehicles  | 6,288,694            | 1,099,141         | 179,395        | 7,208,440          |
| General Equipment   | 2,556,310            | 671,057           |                | 3,227,367          |
| <b>TOTAL AT HISTORICAL COST</b>   | <b>97,049,572</b>    | <b>16,224,786</b> | <b>681,408</b> | <b>112,592,950</b> |
| LESS ACCUMULATED DEPRECIATION FOR:  |                      |                   |                |                    |
| Land Improvements   | 1,984,823            | 117,128           |                | 2,101,951          |
| Buildings & Building Improvements   | 27,748,965           | 2,273,929         |                | 30,022,894         |
| Technology Equipment  | 1,389,288            |                   | 502,903        | 886,385            |
| Vehicles  | 4,381,652            | 306,236           | 179,395        | 4,508,493          |
| General Equipment   | 1,059,422            | 179,128           |                | 1,238,550          |
| <b>TOTAL ACCUMULATED DEPRECIATION</b>                                     | <b>36,564,150</b>    | <b>2,876,421</b>  | <b>682,298</b> | <b>38,758,273</b>  |
| <b>GOVERNMENTAL ACTIVITIES CAPITAL NET</b>                                | <b>60,485,422</b>    | <b>13,348,365</b> | <b>890</b>     | <b>73,834,677</b>  |
| <b>PROPRIETARY ACTIVITIES:</b>  |                      |                   |                |                    |
| Depreciable Assets:   |                      |                   |                |                    |
| Buildings & Improvements  | 1,026,343            |                   |                | 1,026,343          |
| Technology Equipment  | 28,409               |                   |                | 28,409             |
| Vehicles  | 39,155               | 29,577            |                | 68,732             |
| General Equipment   | 983,178              |                   |                | 983,178            |
| <b>TOTALS AT HISTORICAL COST</b>  | <b>2,077,085</b>     | <b>29,577</b>     | <b>-</b>       | <b>2,106,662</b>   |
| LESS ACCUMULATED DEPRECIATION FOR:  |                      |                   |                |                    |
| Buildings & Improvements  | 569,793              | 20,329            |                | 590,122            |
| Technology Equipment  | 28,409               |                   |                | 28,409             |
| Vehicles  | 2,610                | 7,831             |                | 10,441             |
| General Equipment   | 870,151              | 5,825             |                | 875,976            |
| <b>TOTAL ACCUMULATED DEPRECIATION</b>                                     | <b>1,470,963</b>     | <b>33,985</b>     | <b>-</b>       | <b>1,504,948</b>   |
| <b>PROPRIETARY ACTIVITIES CAPITAL NET</b>                                 | <b>606,122</b>       | <b>(4,408)</b>    | <b>-</b>       | <b>601,714</b>     |
| <b>DEPRECIATION EXPENSE CHARGED TO GOVERNMENTAL FUNCTIONS AS FOLLOWS:</b> |                      |                   |                |                    |
| Instructional   |                      |                   |                | 1,672,812          |
| Plant Operation & Maintenance   |                      |                   |                | 898,673            |
| Student Transportation  |                      |                   |                | 304,936            |
| <b>TOTAL</b>  |                      |                   |                | <b>2,876,421</b>   |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**NOTE G – RETIREMENT PLANS**

The District’s employees are provided with two pension plans, based on each position’s college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

**General information about the County Employees Retirement System Non-Hazardous (“CERS”)**

*Plan description*—Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (“KRS”) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

*Benefits provided*—CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years’ service. For retirement purposes, employees are grouped into three tiers, based on hire date:

|        |                      |  |
|--------|----------------------|--|
| Tier 1 | Participation date   | Before September 1, 2008   |
|        | Unreduced retirement | 27 years service or 65 years old   |
|        | Reduced retirement   | At least 5 years service and 55 years old<br>At least 25 years service and any age                 |
| Tier 2 | Participation date   | September 1, 2008 - December 31, 2013  |
|        | Unreduced retirement | At least 5 years service and 65 years old<br>OR age 57+ and sum of service years plus age equal 87 |
|        | Reduced retirement   | At least 10 years service or 60 years old  |
| Tier 3 | Participation date   | After December 31, 2013  |
|        | Unreduced retirement | At least 5 years service and 65 years old<br>OR age 57+ and sum of service years plus age equal 87 |
|        | Reduced retirement   | Not Available  |

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years’ service and hire date multiplied by the average of the highest five years’ earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years’ service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent’s beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent’s monthly final rate of pay and any dependent child will receive 10% of the decedent’s monthly final rate of pay up to 40% for all dependent children. Five years’ service is required for nonservice-related disability benefits

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Contributions—Required contributions by the employee are based on the tier:

|        | <u>Required<br/>Contributions</u> |
|--------|-----------------------------------|
| Tier 1 | 5%                                |
| Tier 2 | 5% +1% for insurance              |
| Tier 3 | 5% +1% for insurance              |

**General information about the Teachers' Retirement System of the State of Kentucky ("TRS")**

*Plan description*—Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky (TRS)—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at [http://www.TRS.ky.gov/05\\_publications/index.htm](http://www.TRS.ky.gov/05_publications/index.htm).

*Benefits provided*—For employees who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, employees become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, employees must either:

- 1.) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2.) Complete 27 years of Kentucky service.

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years.

In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. TRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions—Contribution rates are established by Kentucky Revised Statutes (KRS). University members contribute 10.40% of salary to the retirement system. Non-university members contribute 12.855% of salary to the retirement system. Member contributions are picked up by the employer.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

**Medical Insurance Plan**

*Plan description*—In addition to the pension benefits described above, KRS 161.675 requires TRS to provide post-employment healthcare benefits to eligible employees and dependents. The TRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired employees and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

*Funding policy*—In order to fund the post-retirement healthcare benefit, six percent (6%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

At June 30, 2024, the District reported a liability of \$11,455,842 for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for TRS because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

|   |                      |
|---|----------------------|
| District's proportionate share of the CERS net pension liability                                | \$ 11,455,842        |
| Commonwealth's proportional share of the TRS net pension liability associated with the District | <u>65,581,445</u>    |
|   | <u>\$ 77,037,287</u> |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The net pension liability for each plan was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2023, the District's proportion was 0.178537% percent.

For the year ended June 30, 2024, the District recognized pension expense of \$1,181,076 related to CERS and \$3,189,857 related to TRS. The District also recognized revenue of \$3,189,857 for TRS support provided by the Commonwealth. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|----------------------------------|--|
| Differences between expected and actual experience  | \$ 593,047                       | \$ 31,129                                    |
| Changes of assumptions  | -                                | 1,049,936                                    |
| Net difference between projected and actual earnings on pension plan investments                              | 1,237,555                        | 1,393,819                                    |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 1,017,565                        | 107,979                                      |
| District contributions subsequent to the measurement date   | <u>1,201,557</u>                 | <u>-</u>                                     |
| Total   | <u>\$ 4,049,724</u>              | <u>\$ 2,582,863</u>                          |

\$1,201,557 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

| <u>Year ended June 30:</u> |           |
|----------------------------|-----------|
| 2025                       | 85,321    |
| 2026                       | 35,146    |
| 2027                       | 255,741   |
| 2028                       | (110,904) |
| 2029                       | -         |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

*Actuarial assumptions*—The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers' Retirement System (TRS)

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| Valuation Date   | June 30, 2022                  |
|--|--------------------------------|
| Long-term Investment Rate of Return,<br>net of pension plan investment<br>expense, including inflation | 7.10%                          |
| Municipal Bond Index Rate  |                                |
| Prior Measurement Date   | 3.66%                          |
| Measurement Date   | 2.13%                          |
| Salary increases, including inflation  | 3.00-7.50%, includes inflation |
| Post-retirement benefit increases  | 1.50% annually                 |
| Inflation rate   | 2.50%                          |
| Single Equivalent Interest Rate, net of<br>pension plan investment expense,<br>including inflation     |                                |
| Prior Measurement Date   | 7.50%                          |
| Measurement Date   | 7.10%                          |

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members. The actuarial assumptions used were based on the results of an actuarial experience study for the 5-year period ending June 30, 2020, adopted by the board on September 20, 2021. The assumed long-term investment rate of return was changed from 7.50 percent to 7.10 percent and the price inflation assumption was lowered from 3.0 percent to 2.5 percent. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

For TRS, the long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

| Asset Class                    | Target Allocation | Long-Term Expected Real Rates of Return |
|--------------------------------|-------------------|---|
| Large Cap U.S. Equity          | 35.40%            | 5.0%                                    |
| Small Cap U.S. Equity          | 2.60%             | 5.5%                                    |
| Developed International Equity | 15.70%            | 5.5%                                    |
| Emerging Markets Equity        | 5.30%             | 6.1%                                    |
| Fixed Income                   | 15.00%            | 1.9%                                    |
| High Yield Bonds               | 2.00%             | 3.8%                                    |
| Other Additional Categories    | 5.00%             | 3.6%                                    |
| Real Estate                    | 7.00%             | 3.2%                                    |
| Private Equity                 | 7.00%             | 8.0%                                    |
| Cash                           | 2.0%              | 1.6%                                    |
| Total                          | 100.0%            |   |

*Discount rate* - For TRS, The discount rate used to measure the TPL as of the Measurement Date was 7.10 percent. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 67. We assumed that Plan member contributions will be made at the current contribution rates and that Employer contributions will be made at the Actuarially Determined Contribution rates for all fiscal years in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### County Employees' Retirement System (CERS)

The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                               |   |
|-------------------------------|---|
| Valuation Date                | June 30, 2020   |
| Experience Study              | July 1, 2013-June 30, 2018  |
| Actuarial Cost Method         | Entry Age Normal  |
| Amortization Method           | Level Percent of Pay  |
| Remaining Amortization Period | 30 years, closed  |
| Asset Valuation Method        | 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized |
| Payroll Growth Rate           | 2.0%  |
| Investment rate of return     | 6.25%   |
| Projected salary increases    | 3.30 to 10.30%, varies by service   |
| Inflation rate                | 2.30%   |

The mortality table used for active members was Pub-2010 General Mortality table, for the Nonhazardous

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the system. The most recent analysis, performed for the period covering fiscal years 2013 through 2018, is outlined in a report titled “Kentucky Retirement Systems 2018 Actuarial Experience Study for the Period Ending June 30, 2018”. The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the table below. The current long-term inflation assumption is 2.3% per annum.

| Asset Class                           | Target Allocation | Long-Term Expected Real Rate of Return |
|---------------------------------------|-------------------|--|
| <b>Equity</b>                         |                   |  |
| Public Equity                         | 50.00%            | 5.90%                                  |
| Private Equity                        | 10.00%            | 11.73%                                 |
| <b>Fixed Income</b>                   |                   |  |
| Core Fixed Income                     | 10.00%            | 2.45%                                  |
| Specialty Credit                      | 10.00%            | 3.65%                                  |
| Cash                                  | 0.00%             | 1.39%                                  |
| <b>Inflation Protected</b>            |                   |  |
| Real Estate                           | 7.00%             | 4.99%                                  |
| Real Return                           | 13.00%            | 5.15%                                  |
| Expected Real Return                  | 100.0%            | 5.75%                                  |
| Long Term Inflation Assumption        |                   | 2.50%                                  |
| Expected Nominal Return for Portfolio |                   | 8.25%                                  |

*Discount rate*—For CERS, projection of cash flows used to determine the discount rate of 6.50% assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in Statute as amended by House Bill 362 (passed in 2018) over the remaining 30 years (closed) amortization period of the unfunded actuarial accrued liability.

*Sensitivity of CERS and TRS proportionate share of net pension liability to changes in the discount rate*—The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

|   | 1% Decrease | Current Discount Rate | 1% Increase |
|---|-------------|-----------------------|-------------|
| CERS  | 5.50%       | 6.50%                 | 7.50%       |
| District's proportionate share of net pension liability | 14,463,692  | 11,455,842            | 8,956,205   |
| TRS   | 6.10%       | 7.10%                 | 8.10%       |
| District's proportionate share of net pension liability | 0           | 0                     | 0           |

*Pension plan fiduciary net position*—Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial reports of both CERS and TRS.

**NOTE H – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

Teachers' Retirement System of Kentucky

*Plan description* – Teaching-certified employees of the Kentucky School District are provided OPEBs through the Teachers' Retirement System of the State of Kentucky (TRS)—a cost-sharing multiple-employer defined benefit OPEB plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the state. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at <https://trs.ky.gov/financial-reports-information>.

The state reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the TRS Medical Insurance and Life Insurance Plans. The following information is about the TRS plans:

**Medical Insurance Plan**

*Plan description* – In addition to the OPEB benefits described above, Kentucky Revised Statute 161.675 requires TRS to provide post-employment healthcare benefits to eligible members and dependents. The TRS Medical Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

*Benefits provided* – To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to members under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. TRS retired members are given a supplement to be used for payment of their health insurance premium. The amount of the member's supplement is based on a contribution supplement table approved by the TRS Board of Trustees. The retired member pays premiums in excess of the monthly supplement. Once retired members and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

*Contributions* – In order to fund the post-retirement healthcare benefit, seven and one-half percent (7.50%) of the gross annual payroll of members is contributed. Three percent (3.75%) is paid by member contributions and three quarters percent (.75%) from state appropriation and three percent (3.00%) from the employer. The state contributes the net cost of health insurance premiums for members who retired on or after July 1, 2010 who are in the non-Medicare eligible group. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

At June 30, 2024, the Russell County District reported a liability of \$4,961,000 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the collective net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2023, the District's proportion was .3706 percent, compared to .3502 percent at June 30, 2022.

The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

|  |                     |
|--|---------------------|
| District's proportionate share of the net OPEB liability                           | \$ 4,961,000        |
| State's proportionate share of the net OPEB liability associated with the District | <u>4,182,000</u>    |
| Total  | <u>\$ 9,143,000</u> |

For the year ended June 30, 2024, the District recognized OPEB expense of \$268,686 and revenue of \$325,319 for support provided by the State. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

|   | <u>Deferred Outflows of<br/>Resources</u> | <u>Deferred Inflows of<br/>Resources</u> |
|---|---|--|
| Differences between expected and actual experience  | \$ -                                      | \$ 1,682,000                             |
| Changes of assumptions  | 1,128,000                                 | -  |
| Net difference between projected and actual earnings on pension plan investments                              | 93,000                                    | -  |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 1,617,000                                 | 1,764,000                                |
| District contributions subsequent to the measurement date   | <u>448,811</u>                            | <u>-</u>                                 |
| Total   | <u><u>3,286,811</u></u>                   | <u><u>3,446,000</u></u>                  |

Of the total amount reported as deferred outflows of resources related to OPEB, \$448,811 resulting from District contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

| <b>Year ended June 30:</b> |              |
|----------------------------|--------------|
| 2025                       | \$ (301,000) |
| 2026                       | (245,000)    |
| 2027                       | 105,000      |
| 2028                       | 81,000       |
| 2029                       | (96,000)     |
| Thereafter                 | (152,000)    |

*Actuarial assumptions* – The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|   |  |
|---|--|
| Long-term investment rate of return<br>net of OPEB plan investment<br>expense, including inflation.   |  |
| Health Trust  | 7.10%  |
| Life Trust  | 7.10%  |
| Salary increases, including wage  |  |
| Inflation   | 3.00 – 7.50%   |
| Inflation   | 2.50%  |
| Real wage growth  | 0.25%  |
| Wage Inflation  | 2.75%  |
| Health Trust Health Care Cost Trends  |  |
| Under 65  | 6.75% for FY 2022 decreasing to an ultimate rate of<br>4.50% by FY 2032  |
| Ages 65 and Older   | 6.75% for FY 2022* decreasing to an ultimate rate of<br>4.50% by FY 2025 |
| Medicare Part B Premiums  | 1.55% for FY 2022 with an ultimate rate of 4.50% by<br>2034              |
| Municipal Bond Index Rate   | 3.66%  |
| Single Equivalent Interest Rate, net of<br>OPEB plan investment expense,<br>including price inflation |  |
| Health Trust  | 7.10%  |
| Life Trust  | 7.10%  |
| Year FNP is projected to be depleted  |  |
| Health Trust  | N/A  |
| Life Trust  | N/A  |

*\*Based on known expected increase in Medicare-eligible costs in the year following the valuation date, an increase rate of 20.00% was used for FYE 2021.*

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs, and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees, and active members.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends) used in the June 30, 2023 valuation of the Health Trust were based on a review of recent plan experience done concurrently with the June 30, 2023 valuation. The health care cost trend assumption was updated for the June 30, 2023 valuation and was shown as an assumption change in the TOL roll forward, while the change in initial per capita claims costs were included with experience in the TOL roll forward.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The long-term expected rate of return on Health Trust and Life Trust investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS’s investment consultant, are summarized in the following table:

| Asset Class                 | Target Allocation | Long Term Expected Real Rate of Return |
|-----------------------------|-------------------|--|
| U.S Large Cap Equity        | 35.4%             | 5.0%                                   |
| U.S. Small Cap              | 2.6%              | 5.5%                                   |
| Developed Int’l Equity      | 15.0%             | 5.5%                                   |
| Emerging Markets Equity     | 5.0%              | 6.1%                                   |
| Fixed Income                | 9.0%              | 1.9%                                   |
| High Yield Bonds            | 8.0%              | 3.8%                                   |
| Other Additional Categories | 9.0%              | 3.7%                                   |
| Real Estate                 | 6.5%              | 3.2%                                   |
| Private Equity              | 8.5%              | 8.0%                                   |
| Cash (LIBOR)                | 1.00%             | 1.6%                                   |
|                             | 100.00%           |  |

*Discount rate (SEIR)*- The discount rate used to measure the TOL at June 30, 2023 was 7.10% for the Health Trust and 7.10% for the Life Trust. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection’s basis was an actuarial valuation performed as of June 30, 2021.

The following table presents the District’s proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 7.10%, as well as what the District’s proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

|  | 1% Decrease | Current Discount Rate | 1% Increase |
|--|-------------|-----------------------|-------------|
| TRS  | 6.10%       | 7.10%                 | 8.10%       |
| District's proportionate share of net OPEB liability | 6,381,000   | 4,961,000             | 3,788,000   |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

*Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates* – The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

|   | <u>1% Decrease</u> | <u>Current Discount<br/>Rate</u> | <u>1% Increase</u> |
|---|--------------------|----------------------------------|--------------------|
| TRS   | 6.1%               | 7.1%                             | 8.1%               |
| District's proportionate share<br>of net OPEB liability | 3,572,000          | 4,9661,000                       | 6,692,000          |

*OPEB plan fiduciary net position* – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued TRS financial report.

**Life Insurance Plan**

*Plan description – Life Insurance Plan* – TRS administers the life insurance plan as provided by Kentucky Revised Statute 161.655 to eligible active and retired members. The TRS Life Insurance benefit is a cost-sharing multiple employer defined benefit plan with a special funding situation. Changes made to the life insurance plan may be made by the TRS Board of Trustees and the General Assembly.

*Benefits provided* – TRS provides a life insurance benefit of five thousand dollars payable for members who retire based on service or disability. TRS provides a life insurance benefit of two thousand dollars payable for its active contributing members. The life insurance benefit is payable upon the death of the member to the member's estate or to a party designated by the member.

*Contributions* – In order to fund the post-retirement life insurance benefit, three hundredths of one percent (.03%) of the gross annual payroll of members is contributed by the state.

At June 30, 2024, the Kentucky School District did not report a liability for its proportionate share of the collective net OPEB liability for life insurance benefits because the State of Kentucky provides the OPEB support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

|  |                   |
|--|-------------------|
| District's proportionate share of the net OPEB liability                           | -0-               |
| State's proportionate share of the net OPEB liability associated with the District | <u>103,000</u>    |
| Total  | <u>\$ 103,000</u> |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

*Actuarial assumptions* – The actuarial assumptions are listed above with the TRS OPEB assumptions information.

The long-term expected rate of return on Health Trust and Life Trust investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS’s investment consultant, are summarized in the following table:

| <b>Asset Class</b>      | <b>Target<br/>Allocation</b> | <b>Long Term<br/>Expected<br/>Real Rate of Return</b> |
|-------------------------|------------------------------|---|
| U.S. Equity             | 40.00%                       | 5.2%  |
| International Equity    | 15.00%                       | 5.5%  |
| Emerging Markets Equity | 5.0%                         | 6.1%  |
| Fixed Income            | 21.00%                       | 1.9%  |
| Real Estate             | 7.00%                        | 3.2%  |
| Private Equity          | 5.00%                        | 8.0%  |
| Additional Categories   | 5.00%                        | 4.0%  |
| Cash (LIBOR)            | 2.00%                        | 1.6%  |
|                         | 100.00%                      |   |

*Discount rate (SEIR)* - The discount rate used to measure the total OPEB liability for life insurance was 7.10%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection’s basis was an actuarial valuation performed as of June 30, 2022.

*OPEB plan fiduciary net position* – Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued TRS financial report.

County Employees’ Retirement System of Kentucky

*Plan description* – Classified (non-certified) employees of the Kentucky School District are provided OPEBs through the County Employees Retirement System of the State of Kentucky (CERS)—a cost-sharing multiple-employer defined benefit OPEB plan retirement annuity plan coverage for local school districts and other public agencies in the state. CERS was established July 1, 1958 by the state legislature. CERS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth’s financial statements. CERS issues a publicly available financial report that can be obtained at <https://kyret.ky.gov/About/Board-of-Trustees/Pages/CAFR-and-SAFR.aspx>.

The state reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the CERS Medical Insurance. The following information is about the CERS plans:

**Medical Insurance Plan**

*Plan description* –The Kentucky Retirement Systems’ Insurance Fund (Insurance Fund) was established to provide hospital and medical insurance for eligible members receiving benefits from KERS, CERS, and SPRS, the state retirement options. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. It is noted that while this insurance fund covers employees eligible through KERS, CERS, and SPRS, only the portion related to CERS is applicable to Russell County School District since the District does not have or qualify to have employees participate in KERS or SPRS.

*Benefits provided* – Medical Insurance coverage is provided based on the member’s initial participation date and length of service. Members received either a percentage or dollar amount for insurance coverage. The amount of contribution paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

| <u>Years of Service</u> | <u>Paid By Insurance Fund (%)</u> |
|-------------------------|-----------------------------------|
| 20+                     | 100%                              |
| 15-19                   | 75%                               |
| 10-14                   | 50%                               |
| 4-9                     | 25%                               |
| Less than 4             | 0%                                |

Medical insurance benefits are calculated differently for members who began participating on or after July 1, 2003. Once members reach a vesting period of 10 years, non-hazardous employees whose participation began on or after July 1, 2003 earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands. Only benefit descriptions applicable to CERS Non-Hazardous have been included with this information since only that portion is applicable to the District.

*Contributions* – In order to fund the post-retirement healthcare benefit, three and thirty-nine one hundredths percent (3.39%) of the gross annual payroll of members is contributed for the year ended June 30, 2024 for CERS Non-Hazardous, which is the portion of the plan applicable to the District, and this portion is paid 100% paid by employer contributions. One percent (1.00%) is contributed by employees hired on or after September 1, 2008.

At June 30, 2024, the Russell County District reported a benefit of \$246,485 for its proportionate share of the collective net OPEB liability that reflected a reduction for state OPEB support provided to the District. The collective net OPEB benefit was measured as of June 30, 2023, and the total OPEB benefit used to calculate the collective net OPEB benefit was based on a projection of the District’s long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2023, the District’s proportion was .178526 percent, compared to .156236 percent at June 30, 2022.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The amount recognized by the District as its proportionate share of the OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

|  |                   |
|--|-------------------|
| District's proportionate share of the net OPEB benefit                             | \$ 246,485        |
| State's proportionate share of the net OPEB liability associated with the District | <u>-0-</u>        |
| Total  | <u>\$ 246,485</u> |

For the year ended June 30, 2024, the District recognized OPEB benefit of \$480,245. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

|   | <u>Deferred Outflows of<br/>Resources</u> | <u>Deferred Inflows of<br/>Resources</u> |
|---|---|--|
| Differences between expected and actual experience  | \$ 171,837                                | \$ 3,499,840                             |
| Changes of assumptions  | 485,065                                   | 338,042                                  |
| Net difference between projected and actual earnings on pension plan investments                              | 461,287                                   | 518,492                                  |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 382,332                                   | 102,388                                  |
| District contributions subsequent to the measurement date   | <u>80,508</u>                             | <u>-</u>                                 |
| Total   | <u><u>1,581,029</u></u>                   | <u><u>4,458,762</u></u>                  |

Of the total amount reported as deferred outflows of resources related to OPEB, \$80,508 resulting from District contributions of \$0 subsequent to the measurement date and before the end of the fiscal year and implicit subsidy of \$80,508, will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the District's OPEB expense as follows:

|                            |              |
|----------------------------|--------------|
| <b>Year ended June 30:</b> |              |
| 2025                       | \$ (750,762) |
| 2026                       | (917,425)    |
| 2027                       | (695,109)    |
| 2028                       | (594,945)    |
| 2029                       | -            |
| Thereafter                 | -            |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

*Actuarial assumptions* – The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                                |   |
|--------------------------------|---|
| Valuation Date                 | June 30, 2021   |
| Investment rate of return      | 6.25%   |
| Salary Increases               | 3.30% to 10.30%, varies by service  |
| Inflation                      | 2.30%   |
| Payroll Growth Rate            | 2.00%   |
| Healthcare cost trend rates    |   |
| Pre - 65                       | Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years   |
| Post - 65                      | Initial trend starting at 6.3% in 2023, then gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years  |
| Mortality                      |   |
| Pre-retirement                 | PUB-2010 General Mortality table  |
| Post-retirement (non-disabled) | System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019                    |
| Post-retirement (disabled)     | PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010 |

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the table below. The current long-term inflation assumption is 2.30% per annum.

| Asset Class                           | Target Allocation | Long-Term Expected Real Rate of Return |
|---------------------------------------|-------------------|--|
| <b>Equity</b>                         |                   |  |
| Public Equity                         | 50.00%            | 5.90%                                  |
| Private Equity                        | 10.00%            | 11.73%                                 |
| <b>Liquidity</b>                      |                   |  |
| Core Bonds                            | 10.00%            | 2.45%                                  |
| Special Credit                        | 10.00%            | 3.65%                                  |
| Cash                                  | 0.00%             | 1.39%                                  |
| <b>Inflation Protected</b>            |                   |  |
| Real Estate                           | 7.00%             | 4.99%                                  |
| Real Return                           | 13.00%            | 5.15%                                  |
| <b>Expected Real Return</b>           | <b>100.0%</b>     | <b>5.75%</b>                           |
| <b>Long Term Inflation Assumption</b> |                   | <b>2.50%</b>                           |
| <b>Expected Nominal Return</b>        | 10.00%            | <b>8.25%</b>                           |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

*Discount rate* - The discount rate used to measure the total OPEB liability was 5.93%. The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy, as most recently revised by House Bill 8, passed during the 2021 legislative session. The assumed future employer contributions reflect the provisions of House Bill 362 (passed during the 2018 legislative session) which limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028, for the CERS plans.

The following table presents the District's proportionate share of the collective net OPEB liability of the System, calculated using the discount rate of 5.93%, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.93%) or 1-percentage-point higher (6.93%) than the current rate:

|   | <u>1% Decrease</u> | <u>Current Discount<br/>Rate</u> | <u>1% Increase</u> |
|---|--------------------|----------------------------------|--------------------|
| CERS  | 4.93%              | 5.93%                            | 6.93%              |
| District's proportionate share<br>of net OPEB liability | 462,558            | (246,485)                        | (840,222)          |

*Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates* – The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that were 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

|                                   | <u>1% Decrease</u> | <u>Current Trend Rate</u> | <u>1% Increase</u> |
|-----------------------------------|--------------------|---------------------------|--------------------|
| Systems' net pension<br>liability | (790,027)          | (246,485)                 | 421,206            |

*OPEB plan fiduciary net position* – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CERS financial report.

**NOTE I – CONTINGENCIES**

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected, to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**NOTE J – INSURANCE AND RELATED ACTIVITIES**

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies, which are retrospectively related including Workers’ Compensation insurance.

**NOTE K – RISK MANAGEMENT**

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers’ compensation, errors and omissions, and general liability coverage, the District obtains quotes from commercial insurance companies. Currently the District maintains insurance coverage through the Netherlands Insurance Company.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE L – COBRA**

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the School District at risk for a substantial loss (contingency).

**NOTE M – TRANSFER OF FUNDS**

The following transfers were made during the year:

| <b>Type</b> | <b>From Fund</b> | <b>To Fund</b>                          | <b>Purpose</b>   | <b>Amount</b>    |
|-------------|------------------|---|------------------|------------------|
| Matching    | General          | Special Revenue                         | Technology Match | 64,416           |
| Operating   | Special Revenue  | General                                 | Indirect Costs   | 344,145          |
| Operating   | Capital Outlay   | General                                 | Operating        | 275,503          |
| Operating   | Building         | General                                 | Operating        | 526,947          |
| Operating   | Special Revenue  | Construction                            | Construction     | 756,122          |
| Operating   | Building         | Construction                            | Construction     | 1,061,236        |
| Operating   | Building         | Debt Service                            | Debt Service     | <u>3,447,959</u> |
|             |                  | Subtotal Governmental Funds Transferred |                  | 6,476,328        |
| Operating   | Food Service     | General                                 | Indirect Costs   | <u>242,963</u>   |
|             |                  | Total Funds Transfer                    |                  | <u>6,719,291</u> |

**NOTE N – SUBSEQUENT EVENTS**

Management has reviewed subsequent events through November 15, 2024. There are no material subsequent events to disclose.

**NOTE O – INTERFUND BALANCES**

The balance of \$106,316 due to the General Fund from the Special Revenue Fund resulted from loans made to cover operating cash deficits.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**NOTE P – ON-BEHALF PAYMENT**

For the year ended June 30, 2024, \$8,176,047 in on-behalf payments were made by the Commonwealth of Kentucky for the benefit of the District. Payments for life insurance, health insurance, Kentucky teacher retirement matching pension contributions, administrative fees, technology and debt service were paid by the State for the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts. These payments were as follows:

|   |                    |
|---|--------------------|
| Teachers Retirement System (GASB 68 Schedule A) | \$3,189,857        |
| Teachers Retirement System (GASB 75)            | 335,612            |
| Health Insurance                                | 4,733,367          |
| Life Insurance                                  | 5,700              |
| Administrative Fee                              | 45,524             |
| HRA/Dental/Vision                               | 125,825            |
| Federal Reimbursement                           | (534,608)          |
| Technology                                      | 88,580             |
| SFCC Debt Service Payments                      | <u>186,190</u>     |
| Total   | <u>\$8,176,047</u> |

**NOTE Q – LEASE LIABILITIES**

The District is committed under two noncancellable leases for copiers. The total lease liability measured at present value is \$195,470. The ending liability balance at June 30, 2024 is \$149,245. The District has recognized an intangible right of use asset for the terms of the lease but the District will not acquire the equipment at the end of the lease. Annual requirements to amortize long-term obligations and related interest are as follows:

| Year  | Principal      | Interest      |
|-------|----------------|---------------|
| 2025  | 35,515         | 13,024        |
| 2026  | 38,959         | 9,581         |
| 2027  | 42,741         | 5,799         |
| 2028  | 26,647         | 2,066         |
| 2029  | <u>5,383</u>   | <u>143</u>    |
| Total | <u>149,245</u> | <u>30,613</u> |

The following assets and amortization have been recognized.

|                              |                 |
|------------------------------|-----------------|
| Right of Use Asset – Copiers | \$ 195,470      |
| Accumulated Amortization     | <u>(44,480)</u> |
| Net Ending Balance           | <u>150,990</u>  |

REQUIRED SUPPLEMENTARY  
INFORMATION

RUSSELL COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2024

|                                   | ORIGINAL<br>BUDGET | FINAL<br>BUDGET    | ACTUAL            | VARIANCE WITH<br>FINAL BUDGET<br>POSITIVE<br>(NEGATIVE) |
|-----------------------------------|--------------------|--------------------|-------------------|---|
| <b>REVENUES:</b>                  |                    |                    |                   |   |
| Taxes                             | 5,320,000          | 5,320,000          | 6,711,884         | 1,391,884   |
| Other Local Sources               | 208,236            | 208,236            | 1,452,386         | 1,244,150   |
| State Sources                     | 12,846,764         | 12,846,764         | 20,954,464        | 8,107,700   |
| Federal Sources                   | 395,000            | 395,000            | 646,162           | 251,162   |
| Other Sources                     | 0                  | 0                  | 1,408,338         | 1,408,338   |
| <b>TOTAL REVENUES</b>             | <b>18,770,000</b>  | <b>18,770,000</b>  | <b>31,173,234</b> | <b>12,403,234</b>                                       |
| <b>EXPENDITURES:</b>              |                    |                    |                   |   |
| Instructional                     | 11,656,296         | 11,656,296         | 17,105,537        | (5,449,241)   |
| Student Support Services          | 1,681,509          | 1,681,509          | 1,850,092         | (168,583)   |
| Staff Support Services            | 456,343            | 456,343            | 794,489           | (338,146)   |
| District Administration           | 4,433,066          | 4,433,066          | 991,072           | 3,441,994   |
| School Administration             | 1,401,188          | 1,401,188          | 1,733,262         | (332,074)   |
| Business Support Services         | 1,020,882          | 1,020,882          | 1,094,594         | (73,712)  |
| Plant Operation & Maintenance     | 2,208,717          | 2,208,717          | 3,001,480         | (792,763)   |
| Student Transportation            | 2,078,066          | 2,078,066          | 3,088,112         | (1,010,046)   |
| Other                             | 0                  | 0                  | 64,416            | (64,416)  |
| <b>TOTAL EXPENDITURES</b>         | <b>24,936,067</b>  | <b>24,936,067</b>  | <b>29,723,054</b> | <b>(4,786,987)</b>                                      |
| <b>NET CHANGE IN FUND BALANCE</b> | <b>(6,166,067)</b> | <b>(6,166,067)</b> | <b>1,450,180</b>  | <b>7,616,247</b>  |
| <b>FUND BALANCES - BEGINNING</b>  | <b>6,166,067</b>   | <b>6,166,067</b>   | <b>7,392,532</b>  | <b>1,226,465</b>  |
| <b>FUND BALANCES - ENDING</b>     | <b>0</b>           | <b>0</b>           | <b>8,842,712</b>  | <b>8,842,712</b>  |

See independent auditor's report and accompanying notes to financial statements.

RUSSELL COUNTY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2024

|                                   | <u>ORIGINAL<br/>BUDGET</u> | <u>FINAL<br/>BUDGET</u> | <u>ACTUAL</u>    | <u>VARIANCE WITH<br/>FINAL BUDGET<br/>POSITIVE<br/>(NEGATIVE)</u> |
|-----------------------------------|----------------------------|-------------------------|------------------|---|
| REVENUES:                         |                            |                         |                  |   |
| Other Local Sources               | 22,828                     | 22,828                  | 13,774           | (9,054)   |
| State Sources                     | 1,471,419                  | 1,471,419               | 1,364,582        | (106,837)   |
| Federal Sources                   | 2,828,438                  | 2,828,438               | 6,979,050        | 4,150,612   |
| Other Sources                     |                            |                         | 163,590          | 163,590   |
| <b>TOTAL REVENUES</b>             | <u>4,322,685</u>           | <u>4,322,685</u>        | <u>8,520,996</u> | <u>4,198,311</u>  |
| EXPENDITURES:                     |                            |                         |                  |   |
| Instructional                     | 3,339,567                  | 3,339,567               | 3,955,021        | (615,454)   |
| Student Support Services          | 48,824                     | 48,824                  | 42,380           | 6,444   |
| Staff Support Services            | 347,753                    | 347,753                 | 909,807          | (562,054)   |
| Business Support Services         |                            |                         | 4,793            | (4,793)   |
| Plant Operation & Maintenance     | 178,832                    | 178,832                 | 1,142,359        | (963,527)   |
| Student Transportation            |                            |                         | 879,680          | (879,680)   |
| Community Service Operations      | 401,654                    | 401,654                 | 486,689          | (85,035)  |
| Other                             |                            |                         | 1,100,267        | (1,100,267)   |
| <b>TOTAL EXPENDITURES</b>         | <u>4,316,630</u>           | <u>4,316,630</u>        | <u>8,520,996</u> | <u>(4,204,366)</u>  |
| <b>NET CHANGE IN FUND BALANCE</b> | 6,055                      | 6,055                   | 0                | (6,055)   |
| <b>FUND BALANCES - BEGINNING</b>  | <u>          </u>          | <u>          </u>       | <u>10,628</u>    | <u>0</u>  |
| <b>FUND BALANCES - ENDING</b>     | <u>6,055</u>               | <u>6,055</u>            | <u>10,628</u>    | <u>(6,055)</u>  |

See accompanying auditor's report and accompanying notes to financial statements.

RUSSELL COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
TEACHERS' RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30

|  | <u>2015</u>              | <u>2016</u>              | <u>2017</u>               | <u>2018</u>               | <u>2019</u>              |
|--|--------------------------|--------------------------|---------------------------|---------------------------|--------------------------|
| District's proportion of net pension liability   | 0.00%                    | 0.00%                    | 0.00%                     | 0.00%                     | 0.00%                    |
| District's proportionate share of the net pension liability  | \$ -                     | -                        | -                         | -                         | -                        |
| State of Kentucky's share of the net pension liability associated with the district                | <u>\$ 82,380,634</u>     | <u>90,918,931</u>        | <u>115,962,859</u>        | <u>108,585,308</u>        | <u>51,135,659</u>        |
| <b>TOTAL</b>   | <b><u>82,380,634</u></b> | <b><u>90,918,931</u></b> | <b><u>115,962,859</u></b> | <b><u>108,585,308</u></b> | <b><u>51,135,659</u></b> |
| District's covered-employee payroll  | \$ 12,998,609            | 13,375,782               | 13,511,655                | 13,205,093                | 12,932,180               |
| District's proportionate share of the net pension liability as a percentage of its covered-payroll | 0.00%                    | 0.00%                    | 0.00%                     | 0.00%                     | 0.00%                    |
| Plan fiduciary net position as a percentage of the total pension liability                         | 45.59%                   | 44.70%                   | 57.04%                    | 39.80%                    | 59.30%                   |
|  | <u>2020</u>              | <u>2021</u>              | <u>2022</u>               | <u>2023</u>               | <u>2024</u>              |
| District's proportion of net pension liability   | 0.00%                    | 0.00%                    | 0.00%                     | 0.00%                     | 0.00%                    |
| District's proportionate share of the net pension liability  | -                        |                          |                           |                           |                          |
| State of Kentucky's share of the net pension liability associated with the district                | <u>51,271,192</u>        | <u>50,961,920</u>        | <u>46,239,908</u>         | <u>62,171,364</u>         | <u>65,581,445</u>        |
| <b>TOTAL</b>   | <b><u>51,271,192</u></b> | <b><u>50,961,920</u></b> | <b><u>46,239,908</u></b>  | <b><u>62,171,364</u></b>  | <b><u>65,581,445</u></b> |
| District's covered-employee payroll  | 12,821,415               | 13,069,186               | 13,628,031                | 14,512,232                | 14,960,368               |
| District's proportionate share of the net pension liability as a percentage of its covered-payroll | 0.00%                    | 0.00%                    | 0.00%                     | 0.00%                     | 0.00%                    |
| Plan fiduciary net position as a percentage of the total pension liability                         | 58.80%                   | 58.27%                   | 65.59%                    | 56.41%                    | 57.70%                   |

RUSSELL COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30

|   | <u>2015</u>                | <u>2016</u>              | <u>2017</u>              | <u>2018</u>              | <u>2019</u>              |
|---|----------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| District's proportion of net pension liability  | 0.155204%                  | 0.159254%                | 0.160200%                | 0.167396%                | 0.165852%                |
| District's proportionate share of the net pension liability   | \$ 5,035,000               | 6,847,176                | 7,889,354                | 9,798,203                | 10,100,892               |
| State of Kentucky's share of the net pension liability<br>associated with the district                | -                          | -                        | -                        | -                        | -                        |
| <b>TOTAL</b>  | <b><u>\$ 5,035,000</u></b> | <b><u>6,847,176</u></b>  | <b><u>7,889,354</u></b>  | <b><u>9,798,203</u></b>  | <b><u>10,100,892</u></b> |
| District's covered-employee payroll   | \$ 3,721,627               | 3,816,206                | 4,047,540                | 4,064,722                | 4,090,433                |
| District's proportionate share of the net pension liability<br>as a percentage of its covered-payroll | 135.29%                    | 179.42%                  | 194.92%                  | 241.05%                  | 246.94%                  |
| Plan fiduciary net position as a percentage of the total<br>pension liability                         | 65.96%                     | 63.46%                   | 55.50%                   | 53.30%                   | 53.54%                   |
|   | <u>2020</u>                | <u>2021</u>              | <u>2022</u>              | <u>2023</u>              | <u>2024</u>              |
| District's proportion of net pension liability  | 0.163778%                  | 0.157774%                | 0.161529%                | 0.156142%                | 0.156142%                |
| District's proportionate share of the net pension liability   | 11,518,580                 | 12,101,135               | 10,298,741               | 11,287,526               | 11,455,842               |
| State of Kentucky's share of the net pension liability<br>associated with the district                | -                          | -                        | -                        | -                        | -                        |
| <b>TOTAL</b>  | <b><u>11,518,580</u></b>   | <b><u>12,101,135</u></b> | <b><u>10,298,741</u></b> | <b><u>11,287,526</u></b> | <b><u>11,455,842</u></b> |
| District's covered-employee payroll   | 4,061,170                  | 4,142,855                | 4,322,680                | 5,202,858                | 5,148,045                |
| District's proportionate share of the net pension liability<br>as a percentage of its covered-payroll | 283.63%                    | 292.09%                  | 238.25%                  | 216.95%                  | 222.53%                  |
| Plan fiduciary net position as a percentage of the total<br>pension liability                         | 50.45%                     | 47.81%                   | 57.33%                   | 52.42%                   | 57.48%                   |

RUSSELL COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS TO THE  
TEACHERS RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30

|  | <u>2015</u>   | <u>2016</u>   | <u>2017</u>   | <u>2018</u>   | <u>2019</u>   |
|--|---------------|---------------|---------------|---------------|---------------|
| Contractually required contributions<br>(actuarially determined)         | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          |
| Contributions in relation to the actuarially<br>determined contributions | <u>-</u>      | <u>-</u>      | <u>-</u>      | <u>-</u>      | <u>-</u>      |
| Contribution deficiency (excess)   | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>   |
| Covered employee payroll   | \$ 12,998,608 | \$ 13,375,782 | \$ 13,511,655 | \$ 13,205,093 | \$ 12,932,180 |
| Contributions as a percentage of<br>Covered employee payroll             | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%         |
|  | <u>2020</u>   | <u>2021</u>   | <u>2022</u>   | <u>2023</u>   | <u>2024</u>   |
| Contractually required contributions<br>(actuarially determined)         | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          |
| Contributions in relation to the actuarially<br>determined contributions | <u>-</u>      | <u>-</u>      | <u>-</u>      | <u>-</u>      | <u>-</u>      |
| Contribution deficiency (excess)   | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>   |
| Covered employee payroll   | \$ 12,821,415 | \$ 13,069,185 | \$ 13,628,031 | \$ 14,512,232 | \$ 14,960,368 |
| Contributions as a percentage of<br>Covered employee payroll             | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%         |

*Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.*

RUSSELL COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS TO THE  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30

|  | <u>2015</u>    | <u>2016</u>    | <u>2017</u>    | <u>2018</u>      | <u>2019</u>      |
|--|----------------|----------------|----------------|------------------|------------------|
| Contractually required contributions<br>(actuarially determined)         | \$ 417,132     | \$ 473,973     | \$ 564,632     | \$ 588,572       | \$ 663,468       |
| Contributions in relation to the actuarially<br>determined contributions | <u>417,132</u> | <u>473,973</u> | <u>564,632</u> | <u>588,572</u>   | <u>663,468</u>   |
| Contribution deficiency (excess)   | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>      | <u>\$ -</u>      |
| Covered employee payroll   | \$ 3,271,627   | \$ 3,816,206   | \$ 4,047,540   | \$ 4,064,722     | \$ 4,090,433     |
| Contributions as a percentage of<br>Covered employee payroll             | 12.75%         | 12.42%         | 13.95%         | 14.48%           | 16.22%           |
|  | <u>2020</u>    | <u>2021</u>    | <u>2022</u>    | <u>2023</u>      | <u>2024</u>      |
| Contractually required contributions<br>(actuarially determined)         | \$ 783,806     | \$ 799,571     | \$ 915,111     | \$ 1,217,469     | \$ 1,201,557     |
| Contributions in relation to the actuarially<br>determined contributions | <u>783,806</u> | <u>799,571</u> | <u>915,111</u> | <u>1,217,469</u> | <u>1,201,557</u> |
| Contribution deficiency (excess)   | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>      | <u>\$ -</u>      |
| Covered employee payroll   | \$ 4,061,170   | \$ 4,142,855   | \$ 4,322,680   | \$ 5,202,858     | \$ 5,148,045     |
| Contributions as a percentage of<br>Covered employee payroll             | 19.30%         | 19.30%         | 21.17%         | 23.40%           | 23.34%           |

*Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.*



RUSSELL COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE  
OF THE NET OPEB LIABILITY - MEDICAL INSURANCE  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30

|  | <u>2018</u>             | <u>2019</u>             | <u>2020</u>             | <u>2021</u>             | <u>2022</u>             | <u>2023</u>             | <u>2024</u>             |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| District's proportion of net OPEB liability  | 0.167396%               | 0.165886%               | 0.163743%               | 0.157729%               | 0.161491%               | 0.156236%               | 0.178526%               |
| District's proportionate share of the net OPEB liability   | 3,365,232               | 2,945,273               | 2,754,084               | 3,808,677               | 3,091,665               | 3,083,339               | (246,485)               |
| State of Kentucky's share of the net OPEB liability<br>associated with the district                | -                       | -                       | -                       | -                       | -                       | -                       | -                       |
| <b>TOTAL</b>   | <u><u>3,365,232</u></u> | <u><u>2,945,273</u></u> | <u><u>2,754,084</u></u> | <u><u>3,808,677</u></u> | <u><u>3,091,665</u></u> | <u><u>3,083,339</u></u> | <u><u>(246,485)</u></u> |
| District's covered-employee payroll  | 4,064,722               | 4,090,433               | 4,061,170               | 4,142,855               | 4,322,680               | 5,202,858               | 5,148,045               |
| District's proportionate share of the net OPEB liability<br>as a percentage of its covered-payroll | 82.79%                  | 72.00%                  | 67.82%                  | 91.93%                  | 71.52%                  | 59.26%                  | 0.00%                   |
| Plan fiduciary net position as a percentage of the total<br>OPEB liability                         | 52.40%                  | 57.62%                  | 60.44%                  | 51.67%                  | 62.91%                  | 47.76%                  | 104.23%                 |

*Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.*

RUSSELL COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE  
OF THE NET OPEB LIABILITY - MEDICAL INSURANCE PLAN  
TEACHERS' RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30

|  | <u>2018</u>              | <u>2019</u>              | <u>2020</u>              | <u>2021</u>             | <u>2022</u>             | <u>2023</u>             | <u>2024</u>             |
|--|--------------------------|--------------------------|--------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| District's proportion of net OPEB liability  | 0.2142%                  | 0.2033%                  | 0.2021%                  | 0.1946%                 | 0.1927%                 | 0.3502%                 | 0.3706%                 |
| District's proportionate share of the net OPEB liability   | 7,637,000                | 7,054,000                | 5,916,000                | 4,912,000               | 4,105,000               | 6,637,000               | 4,961,000               |
| State of Kentucky's share of the net OPEB liability<br>associated with the district                | <u>6,239,000</u>         | <u>6,079,000</u>         | <u>4,778,000</u>         | <u>3,935,000</u>        | <u>3,333,000</u>        | <u>2,180,000</u>        | <u>4,182,000</u>        |
| TOTAL  | <u><u>13,876,000</u></u> | <u><u>13,133,000</u></u> | <u><u>10,694,000</u></u> | <u><u>8,847,000</u></u> | <u><u>7,438,000</u></u> | <u><u>8,817,000</u></u> | <u><u>9,143,000</u></u> |
| District's covered-employee payroll  | \$ 13,205,093            | \$ 12,932,180            | \$ 12,821,415            | \$ 13,069,185           | \$ 13,628,031           | \$ 14,512,232           | \$ 14,960,368           |
| District's proportionate share of the net OPEB liability<br>as a percentage of its covered-payroll | 57.83%                   | 54.55%                   | 46.14%                   | 37.58%                  | 30.12%                  | 45.73%                  | 33.16%                  |
| Plan fiduciary net position as a percentage of the total<br>OPEB liability                         | 21.18%                   | 25.50%                   | 32.60%                   | 39.05%                  | 51.74%                  | 47.76%                  | 53.00%                  |

*Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.*

RUSSELL COUNTY SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE  
OF THE NET OPEB LIABILITY - LIFE INSURANCE PLAN  
TEACHERS' RETIREMENT SYSTEM  
FOR THE YEAR ENDED JUNE 30

|  | <u>2018</u>          | <u>2019</u>           | <u>2020</u>           | <u>2021</u>           | <u>2022</u>          | <u>2023</u>           | <u>2024</u>           |
|--|----------------------|-----------------------|-----------------------|-----------------------|----------------------|-----------------------|-----------------------|
| District's proportion of net OPEB liability  | 0.0000%              | 0.0000%               | 0.0000%               | 0.0000%               | 0.0000%              | 0.0000%               | 0.0000%               |
| District's proportionate share of the net OPEB liability   | -                    | -                     | -                     | -                     | -                    | -                     | -                     |
| State of Kentucky's share of the net OPEB liability<br>associated with the district                | <u>84,000</u>        | <u>104,000</u>        | <u>111,000</u>        | <u>119,000</u>        | <u>44,000</u>        | <u>108,000</u>        | <u>103,000</u>        |
| <b>TOTAL</b>   | <b><u>84,000</u></b> | <b><u>104,000</u></b> | <b><u>111,000</u></b> | <b><u>119,000</u></b> | <b><u>44,000</u></b> | <b><u>108,000</u></b> | <b><u>103,000</u></b> |
| District's covered-employee payroll  | \$ 13,205,093        | \$ 12,932,180         | \$ 12,821,415         | \$ 13,069,185         | \$ 13,628,031        | \$ 14,512,232         | \$ 14,960,368         |
| District's proportionate share of the net OPEB liability<br>as a percentage of its covered-payroll | 0.00%                | 0.00%                 | 0.00%                 | 0.00%                 | 0.00%                | 0.00%                 | 0.00%                 |
| Plan fiduciary net position as a percentage of the total<br>OPEB liability                         | 79.99%               | 75.00%                | 73.40%                | 71.57%                | 89.15%               | 73.97%                | 76.90%                |

*Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.*

RUSSELL COUNTY SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS TO THE MEDICAL INSURANCE PLAN  
 TEACHERS RETIREMENT SYSTEM  
 FOR THE YEAR ENDED JUNE 30

|  | <u>2018</u>    | <u>2019</u>    | <u>2020</u>    | <u>2021</u>    | <u>2022</u>    | <u>2023</u>    | <u>2024</u>    |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Contractually required contributions<br>(actuarially determined)         | \$ 396,153     | \$ 387,965     | \$ 384,642     | \$ 392,076     | \$ 408,841     | \$ 444,367     | \$ 448,811     |
| Contributions in relation to the actuarially<br>determined contributions | <u>396,153</u> | <u>387,965</u> | <u>384,642</u> | <u>392,076</u> | <u>408,841</u> | <u>444,367</u> | <u>448,811</u> |
| Contribution deficiency (excess)   | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    |
| Covered employee payroll   | \$ 13,205,093  | \$ 12,932,180  | \$ 12,821,415  | \$ 13,069,185  | \$ 13,628,031  | \$ 14,512,232  | \$ 14,960,368  |
| Contributions as a percentage of<br>Covered employee payroll             | 3.00%          | 3.00%          | 3.00%          | 3.00%          | 3.00%          | 3.00%          | 3.00%          |

*Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.*

RUSSELL COUNTY SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS TO THE LIFE INSURANCE PLAN  
 TEACHERS RETIREMENT SYSTEM  
 FOR THE YEAR ENDED JUNE 30

|  | <u>2018</u>   | <u>2019</u>   | <u>2020</u>   | <u>2021</u>   | <u>2022</u>   | <u>2023</u>   | <u>2024</u>   |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Contractually required contributions<br>(actuarially determined)         | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          | \$ -          |
| Contributions in relation to the actuarially<br>determined contributions | <u>-</u>      | <u>-</u>      | <u>-</u>      | <u>-</u>      | <u>-</u>      | <u>-</u>      | <u>-</u>      |
| Contribution deficiency (excess)   | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>   |
| Covered employee payroll   | \$ 13,205,093 | \$ 12,932,180 | \$ 12,821,415 | \$ 13,069,185 | \$ 13,628,031 | \$ 14,512,232 | \$ 14,960,368 |
| Contributions as a percentage of<br>Covered employee payroll             | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%         |

*Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.*

RUSSELL COUNTY SCHOOL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CONTRIBUTIONS TO THE MEDICAL INSUARANCE PLAN  
 COUNTY EMPLOYEES RETIREMENT SYSTEM  
 FOR THE YEAR ENDED JUNE 30

|  | <u>2018</u>    | <u>2019</u>    | <u>2020</u>    | <u>2021</u>    | <u>2022</u>    | <u>2023</u>    | <u>2024</u>  |
|--|----------------|----------------|----------------|----------------|----------------|----------------|--------------|
| Contractually required contributions<br>(actuarially determined)         | \$ 191,042     | \$ 215,157     | \$ 193,312     | \$ 197,200     | \$ 249,851     | \$ 176,377     | \$ -         |
| Contributions in relation to the actuarially<br>determined contributions | <u>191,042</u> | <u>215,157</u> | <u>193,312</u> | <u>197,200</u> | <u>249,851</u> | <u>176,377</u> | <u>-</u>     |
| Contribution deficiency (excess)   | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>  |
| Covered employee payroll   | \$ 4,064,722   | \$ 4,090,433   | \$ 4,061,170   | \$ 4,142,855   | \$ 4,322,680   | \$ 5,202,858   | \$ 5,148,045 |
| Contributions as a percentage of<br>Covered employee payroll             | 4.70%          | 5.26%          | 4.76%          | 4.76%          | 5.78%          | 3.39%          | 0.00%        |

*Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.*

RUSSELL COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2024

**TEACHERS' RETIREMENT SYSTEM**

**NOTE A – CHANGES OF ASSUMPTIONS**

In 2014, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.16% to 5.23%.

In 2015, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 5.23% to 4.88%.

In the 2016 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2016 valuation, the Assumed Salary Scale, Price Inflation, and Wage Inflation were adjusted to reflect a decrease. In addition, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.88% to 4.20%.

In 2017, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.20% to 4.49%. • In 2018, the calculation of the Single Equivalent Interest Rate (SEIR) resulted in an assumption change from 4.49% to 7.50%.

In the 2020 experience study, rates of withdrawal, retirement, disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, set-backs, and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees, and actives. The assumed long-term investment rate of return was changed from 7.50 percent to 7.10 percent and the price inflation assumption was lowered from 3.00 percent to 2.50 percent. In addition, the calculation of the SEIR results in an assumption change from 7.50% to 7.10%.

In the 2023 experience study the municipal bond index rate increased to 3.66%

**NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS**

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of the schedule:

|                                    |  |
|------------------------------------|--|
| Actuarial Cost Method              | Entry age, normal  |
| Amortization Period                | Level percentage of payroll, closed  |
| Remaining amortization period      | 30-year closed period that began fiscal year 2011 to amortize the unfunded liability |
| Asset valuation method             | 5-year asset smoothing method  |
| Inflation                          | 2.50 percent   |
| Salary Increase                    | 3.00 to 7.50 percent   |
| Ultimate Investment rate of return | 7.10 per annum, compounded annually, including inflation                             |

**NOTE C – CHANGES OF BENEFITS**

There were no changes in benefits for TRS pension.

RUSSELL COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2024

**COUNTY EMPLOYEES RETIREMENT SYSTEM**

**NOTE A – CHANGES OF ASSUMPTIONS**

2015

The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2015:

The assumed investment rate of return was decreased from 7.75% to 7.50%.

The assumed inflation rate was reduced from 3.5% to 3.255%.

The assumed rate of wage inflation was reduced from 1.00% to .75%.

Payroll growth assumption was reduced from 4.5% to 4%.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

2016

There were no changes of assumptions for the year ended June 30, 2016.

2017

The following changes were made by the KRS Board of Trustees and reflected in the valuation performed as of June 30, 2017:

The assumed rate of inflation was reduced to 2.30% from 3.25%

The assumed salary increases were reduced to 3.05%, average, from 4.00%, average including inflation

The assumed investment rate of return was reduced to 6.25% from 7.50%

2018

There were no changes in assumptions.

2019

The following changes were made by the KRS Board of Trustees and reflected in the valuation performed as of June 30, 2019:

The projected salary increase was changed to 3.3-11.5% from 3.05%



RUSSELL COUNTY SCHOOL DISTRICT  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE  
 OF THE NET PENSION LIABILITY  
 FOR THE YEAR ENDED JUNE 30, 2024

**COUNTY EMPLOYEES RETIREMENT SYSTEM (CONTINUED)**

The asset valuation method was changed to 20% of the difference between the market value assets and the expected actuarial value of assets if recognized from 5-year smoothed market.

The payroll growth rate was changed to 2.0% from 4.0%.

The investment rate of return was change to 6.25% from 7.5%.

The inflation rate was changed to 2.3% from 3.25%.

2020

There were no changes of assumptions for the year ended June 30, 2020.

2021

There were no changes of assumptions for the year ended June 30, 2021.

2022

There were no changes of assumptions for the year ended June 30, 2022.

2023

There were no changes of assumptions for the year ended June 30, 2023.

**NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS**

The following actuarial methods and assumptions were used to determine the rates reported in that schedule:

|                               |  |
|-------------------------------|--|
| Valuation Date                | June 30, 2021  |
| Experience Study              | July 1, 2008 – June 30, 2013   |
| Actuarial Cost Method         | Entry Age Normal   |
| Amortization Method           | Level percent of pay   |
| Remaining Amortization Period | 30 years, Closed   |
|                               | <i>Gains/losses incurring after 2019 will be amortized over separate 20-year amortization basis</i>                    |
| Payroll Growth Rate           | 2.00%  |
| Asset Valuation Method        | 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized      |
| Inflation                     | 2.30 percent   |
| Salary Increase               | 3.30-10.30 percent, varies by service  |
| Investment Rate of Return     | 6.25 percent   |
| Phase-In Provision            | Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018 for CERS |

The retiree mortality is a System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.

**NOTE C – CHANGES OF BENEFITS**

There were no changes in benefits for CERS non-hazardous pensions.

RUSSELL COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE  
OF THE NET OPEB LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2024

**TEACHERS' RETIREMENT SYSTEM**

**NOTE A – CHANGES OF ASSUMPTIONS**

2017

There were no changes in assumptions.

2018

There were no changes in assumptions.

2019

There were no changes in assumptions.

2020

Health Care Cost Trend Rates were updated for the June 30, 2019 valuation.

2021

Health Trust and Life Trust

In the 2020 experience study, rates of withdrawal, retirement, disability, mortality, and rates of salary increases were adjusted to reflect actual experience more closely. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, set-backs, and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees, and actives.

The assumed long-term investment rate of return was changed from 8.00% for the Health Trust and 7.50% for the Life Trust to 7.10%. The price inflation assumption was lowered from 3.00% to 2.50%.

The rates of member participation and spousal participation were adjusted to reflect actual experience more closely.

2022

There were no changes in assumptions.

2023

There were no changes in assumptions

**NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS**

The Health Trust is not funded based on an actuarially determined contribution, but instead is funded based on statutorily determined amounts.

**NOTE C – CHANGES OF BENEFITS**

There were no changes of benefits.

RUSSELL COUNTY SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE  
OF THE NET OPEB LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2024

**COUNTY EMPLOYEES RETIREMENT SYSTEM**

**NOTE A – CHANGES OF ASSUMPTIONS**

2017

The assumed investment return was changed from 7.5% to 6.2%

The price inflation assumption was changed from 3.25% to 2.30% which resulted in a .95% decrease in the salary increase assumption at all years of service

The payroll growth assumption (\*applicable for the amortization of unfunded actuarial accrued liabilities) was changed from 4.0% to 2.0%

For the non-hazardous plan, the single discount rate changed from 6.89% to 5.84%. For the hazardous plan the single discount rate changed from 7.37% to 5.96%

2018

There were no changes in assumptions.

2019

The investment rate of return was changed to 6.25% from 7.0%.

The projected salary increases changed to 3.05-11.55% from 4.0%.

The inflation rate changed to 2.3% from 3.25%.

The payroll growth rate changed to 2.0% from 4.0%.

2020

There were no changes in assumptions.

2021

The single discount rates used to calculate the total OPEB liability changed since the prior year. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2020 valuation process and was updated to better reflect the plan's long-term healthcare costs.

2022

The Initial trend rate for Pre-65 was changes to 6.20% and for Post-65 the change was to 9.00%.

2023

The Initial trend rate for Pre-65 was changes to 6.30% and for Post-65 the change was to 6.3%.

RUSSELL COUNTY SCHOOL DISTRICT  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE  
 OF THE NET OPEB LIABILITY  
 FOR THE YEAR ENDED JUNE 30, 2024

**COUNTY EMPLOYEES RETIREMENT SYSTEM (CONTINUED)**

**NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS**

*Methods and assumptions used in the actuarially determined contributions* – The actuarially determined contribution rates, as a percentage of payroll, used to determine the actuarially determined contribution amounts in the Schedule of Employer Contributions are calculated as the of the indicated valuation date. The following actuarial methods and assumptions (from the indicated actuarial valuations) were used to determine contribution rates reported in that schedule for the year ending June 30, 2023:

|                               |  |
|-------------------------------|--|
| Valuation Date                | June 30, 2021  |
| Experience Study              | July 1, 2013 – June 30, 2018   |
| Actuarial Cost Method         | Entry Age Normal   |
| Amortization Method           | Level percent of pay   |
| Remaining Amortization Period | 30 years, closed   |
|                               | <i>Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases</i>   |
| Payroll Growth Rate           | 2.00%  |
| Asset Valuation Method        | 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized  |
| Inflation                     | 2.30%  |
| Salary Increase               | 3.30%-10.30%, varies by service  |
| Investment Rate of Return     | 6.25 %   |
| Mortality                     | System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019 |
| Healthcare cost trend rates   |  |
| Pre - 65                      | Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.  |
| Post - 65                     | Initial trend starting at 6.30 % at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.   |
| Phase-In Provision            | Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.   |

**NOTE C – CHANGES OF BENEFITS**

There were no changes in benefits for CERS, non-hazardous OPEB.

**OTHER SUPPLEMENTARY  
INFORMATION**

RUSSELL COUNTY SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2024

|  | SEEK<br>CAPITAL<br>OUTLAY<br>FUND | DISTRICT<br>ACTIVITY<br>FUND | SCHOOL<br>ACTIVITY<br>FUND | BUILDING<br>FUND | DEBT<br>SERVICE<br>FUND | TOTAL<br>NON-MAJOR<br>GOVERNMENT<br>FUNDS |
|--|-----------------------------------|------------------------------|----------------------------|------------------|-------------------------|---|
| <b>ASSETS:</b>                             |                                   |                              |                            |                  |                         |   |
| Cash & Cash Equivalents                    |                                   | 22,029                       | 289,952                    | 223,763          |                         | 535,744                                   |
| Accounts Receivable                        | 0                                 | 432                          |                            |                  | 0                       | 432                                       |
| <b>TOTAL ASSETS</b>                        | <b>0</b>                          | <b>22,461</b>                | <b>289,952</b>             | <b>223,763</b>   | <b>0</b>                | <b>536,176</b>                            |
| <b>LIABILITIES AND FUND BALANCES:</b>      |                                   |                              |                            |                  |                         |   |
| Liabilities:                               |                                   |                              |                            |                  |                         |   |
| Accounts Payable                           |                                   | 6,077                        | 27,836                     |                  |                         | 33,913                                    |
| <b>Total Liabilities</b>                   | <b>0</b>                          | <b>6,077</b>                 | <b>27,836</b>              | <b>0</b>         | <b>0</b>                | <b>33,913</b>                             |
| Fund Balances:                             |                                   |                              |                            |                  |                         |   |
| Restricted for:                            |                                   |                              |                            |                  |                         |   |
| SFCC Escrow                                |                                   |                              |                            | 223,763          |                         | 223,763                                   |
| School Activities                          |                                   | 16,384                       | 262,116                    |                  |                         | 278,500                                   |
| <b>Total Fund Balances</b>                 | <b>0</b>                          | <b>16,384</b>                | <b>262,116</b>             | <b>223,763</b>   | <b>0</b>                | <b>502,263</b>                            |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b>0</b>                          | <b>22,461</b>                | <b>289,952</b>             | <b>223,763</b>   | <b>0</b>                | <b>536,176</b>                            |

See independent auditor's report and accompanying notes to financial statements.

RUSSELL COUNTY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2024

|   | SEEK<br>CAPITAL<br>OUTLAY<br>FUND | DISTRICT<br>ACTIVITY<br>FUND | SCHOOL<br>ACTIVITY<br>FUND | BUILDING<br>FUND      | DEBT<br>SERVICE<br>FUND | TOTAL<br>NON-MAJOR<br>GOVERNMENT<br>FUNDS |
|---|-----------------------------------|------------------------------|----------------------------|-----------------------|-------------------------|---|
| REVENUES:                                     |                                   |                              |                            |                       |                         |   |
| Taxes - Property                              |                                   |                              |                            | 2,209,995             |                         | 2,209,995                                 |
| Other   |                                   | 207,043                      | 383,118                    |                       |                         | 590,161                                   |
| Intergovernmental - State                     | 275,503                           |                              |                            | 1,988,673             | 186,190                 | 2,450,366                                 |
| TOTAL REVENUES                                | <u>275,503</u>                    | <u>207,043</u>               | <u>383,118</u>             | <u>4,198,668</u>      | <u>186,190</u>          | <u>5,250,522</u>                          |
| EXPENDITURES:                                 |                                   |                              |                            |                       |                         |   |
| Instructional                                 |                                   | 201,775                      | 446,927                    |                       |                         | 648,702                                   |
| Debt Service                                  |                                   |                              |                            |                       |                         |   |
| Principal                                     |                                   |                              |                            |                       | 2,170,000               | 2,170,000                                 |
| Intrest                                       |                                   |                              |                            |                       | 1,464,149               | 1,464,149                                 |
| TOTAL EXPENDITURES                            | <u>0</u>                          | <u>201,775</u>               | <u>446,927</u>             | <u>0</u>              | <u>3,634,149</u>        | <u>4,282,851</u>                          |
| EXCESS(DEFICIT) REVENUES OVER<br>EXPENDITURES | 275,503                           | 5,268                        | (63,809)                   | 4,198,668             | (3,447,959)             | 967,671                                   |
| OTHER FINANCING SOURCES(USES):                |                                   |                              |                            |                       |                         |   |
| Operating Transfers In                        |                                   |                              |                            |                       | 3,447,959               | 3,447,959                                 |
| Operating Transfers Out                       | (275,503)                         |                              |                            | (5,036,142)           |                         | (5,311,645)                               |
| TOTAL OTHER FINANCING SOURCES(USES)           | <u>(275,503)</u>                  | <u>0</u>                     | <u>0</u>                   | <u>(5,036,142)</u>    | <u>3,447,959</u>        | <u>(1,863,686)</u>                        |
| NET CHANGE IN FUND BALANCES                   | <u>0</u>                          | <u>5,268</u>                 | <u>(63,809)</u>            | <u>(837,474)</u>      | <u>0</u>                | <u>(896,015)</u>                          |
| FUND BALANCES - BEGINNING                     | <u>0</u>                          | <u>11,116</u>                | <u>325,925</u>             | <u>1,061,237</u>      | <u>0</u>                | <u>1,398,278</u>                          |
| FUND BALANCES - ENDING                        | <u><u>0</u></u>                   | <u><u>16,384</u></u>         | <u><u>262,116</u></u>      | <u><u>223,763</u></u> | <u><u>0</u></u>         | <u><u>502,263</u></u>                     |

See independent auditor's report and accompanying notes to financial statements.



RUSSELL COUNTY SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES  
 STUDENT ACTIVITY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2024

|  | FUND<br>BALANCE<br>JULY 1, 2023 | REVENUES       | EXPENDITURES   | FUND<br>BALANCE<br>JUNE 30, 2024 |
|--|---------------------------------|----------------|----------------|----------------------------------|
| Russell Springs Elementary                   | 46,993                          | 5,528          | 10,373         | 42,148                           |
| Jamestown Elementary                         | 15,620                          | 18,461         | 16,245         | 17,836                           |
| Salem Elementary                             | 22,115                          | 13,714         | 10,572         | 25,257                           |
| Russell County Middle School                 | 37,398                          | 60,344         | 64,710         | 33,032                           |
| Russell County High School                   | 203,799                         | 285,071        | 345,027        | 143,843                          |
| Total Activity Funds (Due to Student Groups) | <u>325,925</u>                  | <u>383,118</u> | <u>446,927</u> | <u>262,116</u>                   |

See independent accountant's report and accompanying notes to financial statements.

RUSSELL COUNTY SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE  
HIGH SCHOOL ACTIVITY FUND  
FOR THE YEAR ENDED JUNE 30, 2024

|                            | CASH<br>BALANCE<br>JULY 1, 2023 | RECEIPTS         | DISBURSEMENTS    | CASH<br>BALANCE<br>JUNE 30, 2024 | ACCOUNTS<br>RECEIVABLE<br>JUNE 30, 2024 | ACCOUNTS<br>PAYABLE<br>JUNE 30, 2024 | FUND<br>BALANCE<br>JUNE 30, 2024 |
|----------------------------|---------------------------------|------------------|------------------|----------------------------------|---|--------------------------------------|----------------------------------|
| Academic Team              | 84                              | 0                | 0                | 84                               |   |                                      | 84                               |
| Agriculture (Shop)         | 2,226                           | 0                | 86               | 2,140                            |   |                                      | 2,140                            |
| Art Club                   | 1,348                           | 0                | 0                | 1,348                            |   |                                      | 1,348                            |
| Athletic                   | 62,057                          | 160,838          | 205,623          | 17,272                           |   |                                      | 17,272                           |
| B.O.S.S.                   | 857                             | 0                | 0                | 857                              |   |                                      | 857                              |
| Cooking Club               | 613                             | 2,709            | 1,714            | 1,608                            |   |                                      | 1,608                            |
| Dance Team                 | 0                               | 1,946            | 0                | 1,946                            |   |                                      | 1,946                            |
| DECA                       | 3,831                           | 8,781            | 2,198            | 10,414                           |   |                                      | 10,414                           |
| Drama                      | 5,159                           | 505              | 794              | 4,870                            |   |                                      | 4,870                            |
| FCA                        | 925                             | 0                | 0                | 925                              |   |                                      | 925                              |
| FFA                        | 26,126                          | 25,175           | 22,845           | 28,456                           |   | 7,241                                | 21,215                           |
| Flower & Gift Fund         | 464                             | 1,436            | 67               | 1,833                            |   |                                      | 1,833                            |
| Forensic Science           | 279                             | 0                | 0                | 279                              |   |                                      | 279                              |
| Horticulture               | 8,438                           | 4,218            | 2,133            | 10,523                           |   |                                      | 10,523                           |
| Library                    | 3,176                           | 1,385            | 1,577            | 2,984                            |   |                                      | 2,984                            |
| Miscellaneous / General    | 16,219                          | 272,099          | 286,216          | 2,102                            |   |                                      | 2,102                            |
| ROTC                       | 39,102                          | 21,084           | 13,522           | 46,664                           |   | 20,489                               | 26,175                           |
| Senior Explorer Club       | 3,304                           | 11,925           | 15,024           | 205                              |   |                                      | 205                              |
| World Language             | 1,416                           | 0                | 1,416            | 0                                |   |                                      | 0                                |
| Spirit Club                | 181                             | 0                | 0                | 181                              |   |                                      | 181                              |
| Pride Club                 | 165                             | 0                | 0                | 165                              |   |                                      | 165                              |
| Teacher Coke Commissions   | 68                              | 0                | 0                | 68                               |   |                                      | 68                               |
| Tech Education             | (1,168)                         | 1,168            | 0                | 0                                |   |                                      | 0                                |
| True Crime Club            | 0                               | 605              | 196              | 409                              |   |                                      | 409                              |
| Educators Rising           | 6,301                           | 4,208            | 468              | 10,041                           |   |                                      | 10,041                           |
| TSA-Tech Student           | 4,450                           | 6,403            | 2,596            | 8,257                            |   |                                      | 8,257                            |
| WLKR                       | 648                             | 1,215            | 0                | 1,863                            |   |                                      | 1,863                            |
| Y-Club                     | 1,136                           | 3,055            | 3,425            | 766                              |   |                                      | 766                              |
| Yearbook                   | 15,860                          | 9,554            | 10,635           | 14,779                           |   |                                      | 14,779                           |
| Youth Service Center       | 534                             | 0                | 0                | 534                              |   |                                      | 534                              |
| <b>Total All Funds</b>     | <b>203,799</b>                  | <b>538,309</b>   | <b>570,535</b>   | <b>171,573</b>                   | <b>0</b>                                | <b>27,730</b>                        | <b>143,843</b>                   |
| <b>Interfund Transfers</b> | <b>0</b>                        | <b>(253,238)</b> | <b>(253,238)</b> | <b>0</b>                         | <b>0</b>                                | <b>0</b>                             | <b>0</b>                         |
| <b>Total</b>               | <b>203,799</b>                  | <b>285,071</b>   | <b>317,297</b>   | <b>171,573</b>                   | <b>0</b>                                | <b>27,730</b>                        | <b>143,843</b>                   |

RUSSELL COUNTY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2024

| <u>FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE</u>      | <u>FEDERAL<br/>ALN<br/>NUMBER</u> | <u>PASS<br/>THROUGH<br/>NUMBER<br/>(if applicable)</u> | <u>PROVIDED TO<br/>SUBRECIPIENTS</u> | <u>EXPENDITURES</u> |
|--|-----------------------------------|--|--------------------------------------|---------------------|
| <u>U.S. Department of Education</u>                            |                                   |  |                                      |                     |
| Passed-Through Department of Education                         |                                   |  |                                      |                     |
| Title I - Parent Involvement                                   | 84.010                            | 3100002-23   |                                      | 6,292               |
| Title I - Grants to Local Educational Agencies                 | 84.010                            | 3100002-23   |                                      | 693,768             |
| Title I - Grants to Local Educational Agencies                 | 84.010                            | 310000-24  |                                      | 700,873             |
| Title I - Parent Involvement                                   | 84.010                            | 3100002  |                                      | 1,628               |
| Title I Total  |                                   |  |                                      | 1,402,561           |
| IDEA - Special Education - Grants to State                     | 84.027                            | 3810002-23   |                                      | 374,390             |
| IDEA - Special Education - Grants to State                     | 84.027                            | 3810002-24   |                                      | 467,395             |
| COVID - 19- Special Education-Grants to States                 | 84.027X                           | 4900002  |                                      | 35,147              |
| IDEA - Special Education - Preschool                           | 84.027                            | 3810002-23   |                                      | 114                 |
| IDEA - Special Education - Preschool                           | 84.173                            | 3800002-24   |                                      | 21,400              |
| Special Education Total  |                                   |  |                                      | 898,446             |
| Title III - Limited English Proficiency                        | 84.365                            | 3300002-23   |                                      | 928                 |
| Title III - Limited English Proficiency                        | 84.365                            | 3300002-24   |                                      | 17,862              |
| Title III Total  |                                   |  |                                      | 18,790              |
| Perkins Voc.   | 84.048                            | 3710002-23   |                                      | 6,962               |
| Perkins Voc.   | 84.048                            | 3710002-24   |                                      | 27,857              |
| Total Perkins Voc.   |                                   |  |                                      | 34,819              |
| Supporting Effective Instruction State Grant                   | 84.367                            | 3400002  |                                      | 190,004             |
| Impact Aid   | 84.410                            | Direct   |                                      | 275,067             |
| Covid-19 Elementary and Secondary School Emergency Relief Fund | 84.425U                           | 4000002  |                                      | 3,914,747           |
| Covid-19 Elementary and Secondary School Emergency Relief Fund | 84.425D                           | 4000002  |                                      | 206,785             |
| Covid-19 Elementary and Secondary School Emergency Relief Fund | 84.425W                           | 4000002  |                                      | 73,822              |
| Covid-19 Education Stabilization Fund Total                    |                                   |  |                                      | 4,195,354           |

|  |        |            |                          |
|--|--------|------------|--------------------------|
| Title IV - Rural and Low Income Schools                    | 84.358 | 3140002-23 | 13,181                   |
| Title IV - Rural and Low Income Schools                    | 84.358 | 3140002-24 | 48,829                   |
| Title IV - Rural and Low Income Schools Total              |        |            | <u>62,010</u>            |
| Title IV, Part A - Student Support and Academic Enrichment | 84.424 | 3420002-23 | 53,730                   |
| Title IV, Part A - Student Support and Academic Enrichment | 84.424 | 3420002-24 | 46,350                   |
| Title IV - Rural and Low Income Schools Total              |        |            | <u>100,080</u>           |
| Total U.S. Department of Education                         |        |            | <u>7,177,131</u>         |
| <u>U.S. Department of Labor</u>                            |        |            |                          |
| Passed-Through Wilderness Education Project                |        |            |                          |
| Apprenticeship USA Grants                                  | 17.285 | 570J       | 80,066                   |
| <u>U.S. Department of Agriculture</u>                      |        |            |                          |
| Passed-Through State Department of Education               |        |            |                          |
| School Breakfast Program                                   | 10.553 | 7760005-23 | 178,661                  |
| School Breakfast Program                                   | 10.553 | 7760005-24 | 694,859                  |
| National School Lunchroom                                  | 10.555 | 7750002-23 | 368,283                  |
| National School Lunchroom                                  | 10.555 | 7750002-24 | 1,416,294                |
| National School Lunchroom                                  | 10.555 | 9980000-23 | 93,953                   |
| Child Nutrition Cluster Total                              |        |            | <u>2,752,050</u>         |
| Child and Adult Care Food Program (CACFP)                  | 10.558 | 7790021-23 | 1,169                    |
| Child and Adult Care Food Program (CACFP)                  | 10.558 | 7790021-24 | 2,358                    |
| Child and Adult Care Food Program (CACFP) Total            |        |            | <u>3,527</u>             |
| State Administrative Expense Funds                         | 10.560 | 7700001-23 | 12,761                   |
| Pass-Through State Department of Agriculture               |        |            |                          |
| Food Distribution  | 10.565 | 057502-10  | 128,744                  |
| Total U.S. Department of Agriculture                       |        |            | <u>2,897,082</u>         |
| Total Federal Financial Assistance                         |        |            | <u><u>10,154,279</u></u> |

RUSSELL COUNTY SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2024

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Russell County School District under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Russell County School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Russell County School District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting for proprietary funds and the modified accrual basis of accounting for governmental funds. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are present where available.

**NOTE C – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed.

**NOTE D – DE MINIMIS COST RATE**

The District did not elect to use the 10 percent de minimis cost rate as allowed under the Uniform Guidance.

**NOTE E – SUBRECIPIENTS**

There were no subrecipients during the fiscal year.

RUSSELL COUNTY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2024

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of audit issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes   X   None Reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

**Federal Awards**

Internal control over major programs?

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes   X   None Reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? \_\_\_\_\_ Yes   X   No

Identification of major programs:

| <u>ALN Number</u>                 | <u>Name of Federal Program or Cluster</u>  |
|-----------------------------------|--|
| 84.425U/84.425D/84.425W<br>84.367 | Covid-19 Education Stabilization Fund<br>Supporting Effective Instruction State Grants |

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

**Section II – Financial Statement of Findings**

No matters were reported.

**Section III – Federal Award Findings and Questioned Costs**

No matters were reported.

RUSSELL COUNTY SCHOOL DISTRICT  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
JUNE 30, 2024

There were no prior year audit findings.

# MONTGOMERY & COMPANY, P.L.L.C

Certified Public Accountants

710 Highway 208

Lebanon, KY 40033

270-995-2474

Joseph A. Montgomery, CPA

Email [joe.montgomery@jamcpas.com](mailto:joe.montgomery@jamcpas.com)

November 15, 2024

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Members of the Board of Education  
Russell County School District  
404 South Main Street  
Jamestown, KY 42629

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract, Audit Acceptance Statement, AFR and Balance Sheet, Statement of Certification, and Audit Report*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Russell County School District, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Russell County School District's basic financial statements, and have issued my report thereon dated November 15, 2024.

### **Report on Internal Control over Financial Reporting**

In planning and performing my audit of the financial statements, I considered Russell County School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Russell County School District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Russell County School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements, on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Russell County School District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of my tests disclosed no material instances of noncompliance of specific state statutes or regulation identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,

*Montgomery & Company, L.L.C.*

Certified Public Accountants

# MONTGOMERY & COMPANY, P.L.L.C

Certified Public Accountants

710 Highway 208

Lebanon, KY 40033

270-995-2474

Joseph A. Montgomery, CPA

Email [joe.montgomery@jamcpas.com](mailto:joe.montgomery@jamcpas.com)

November 15, 2024

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Members of the Board of Education  
Russell County School District  
404 South Main Street  
Jamestown, KY 42629

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

I have audited Russell County School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Russell County School District's major federal programs for the year ended June 30, 2024. Russell County School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In my opinion, Russell County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

#### ***Basis for Opinion on Each Major Federal Program***

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United State of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and *Appendix I to the Independent Auditor's Contract – Audit Extension Request, Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract, Audit Acceptance Statement, AFR and Balance Sheet, Statement of Certification, and Audit Report*. My responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of my report.

I am required to be independent of Russell County School District and to meet my other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on compliance for each major federal program. My audit does not provide a legal determination of Russell County School District's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Russell County School District's federal programs.

### ***Auditor's Responsibility for the Audit of Compliance***

My objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Russell County School District's compliance based on my audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Russell County School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Russell County School District's compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- Obtain an understanding of Russell County School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Russell County School District's internal control over compliance. Accordingly, no such opinion is expressed.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that I identified during the audit.

### **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in*

*internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during my audit I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

My audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Sincerely,

*Montgomery & Company, L.L.C.*

Certified Public Accountants

# MONTGOMERY & COMPANY, P.L.L.C

Certified Public Accountants

710 Highway 208

Lebanon, KY 40033

270-995-2474

Joseph A. Montgomery, CPA

Email [joe.montgomery@jamcpas.com](mailto:joe.montgomery@jamcpas.com)

November 15, 2024

## MANAGEMENT LETTER

Members of the Board of Education  
Russell County School District  
404 South Main Street  
Jamestown, KY 42629

In planning and performing my audit of the financial statements of Russell County School District for the year ended June 30, 2024, I considered its internal control in order to determine our auditing procedures for the purpose of expressing my opinion on the financial statements. Our professional standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. I feel that the District's financial statements are free of material misstatement. However, I offer the following suggestions that I feel will strengthen your organization's internal control structure.

### **Prior Year Recommendation - District:**

None.

### **Prior Year Recommendations – School Activity Funds:**

#### 2023-1: Current Year Recommendation:

During 2023 testing, two instances were noted at Russell County Middle School and four instances at Russell County High School where funds were received but not deposited in the bank within a timely basis. I recommend that it be emphasized to school staff that funds in excess of \$100 be deposited the date of receipt or for after-hours receipts deposited in the night drop box or deposited the next business day.

#### Current Year Status and Recommendations:

No such instances noted during current year testing.

### **Current Year Recommendation – School Activity Funds:**

#### 2024-1: Prior Year Recommendation:

During 2022 testing, there were two instances at Russell County Middle School where a purchase order was created after the goods were ordered.

During 2023 testing, there were five instances of purchases occurring prior to the issuance of an approved purchase order. I recommend that all school personnel be informed that an approved purchase order must be received prior to all purchases.

Current Year Status:

During current year testing, there were two instances at Russell County Middle School of purchases occurring prior to the issuance of an approved purchase order. I recommend that all school personnel be informed that an approved purchase order must be received prior to all purchases.

Management Response:

We will remind all personnel of the importance of having a properly completed and approved purchase order prior to ordering goods.

2024-2: Current Year Recommendation:

During 2023 testing, two instances were noted at Russell County High School where a multiple receipt form was missing either the sponsor or bookkeeper's signature.

During current year testing, one instance was noted at Russell County High School where the multiple receipt form was missing the bookkeeper's signature. I recommend that it be emphasized to the school staff that sponsor/teacher and bookkeeper signatures must be on the form.

Management Response:

School staff will be informed that both signatures are required on the multiple receipt form.

**Current Year Recommendation - District:**

None.

I would like to offer our assistance throughout the year if and when new or unusual situations arise. My awareness of new developments when they occur would help to ensure that the District is complying with requirements such as those mentioned above.

Sincerely,

*Montgomery & Company, L.L.C.*

Certified Public Accountants

# MONTGOMERY & COMPANY, P.L.L.C

Certified Public Accountants

710 Highway 208

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270-995-2474

Joseph A. Montgomery, CPA

Email [joe.montgomery@jamcpas.com](mailto:joe.montgomery@jamcpas.com)

November 15, 2024

Members of the Board of Education  
Russell County School District  
404 South Main Street  
Jamestown, KY 42629

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Russell County School District for the year ended June 30, 2024. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated April 9, 2024. Professional standards also require that I communicate to you the following information related to my audit.

## Significant Audit Matters:

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Russell County School District are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2024. I noted no transactions entered into by Russell County School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the sick leave liability is based on current pay rates and those currently eligible for retirement. We evaluated the key factors and assumptions used to develop the sick leave liability in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

I encountered no significant difficulties in dealing with management in performing and completing my audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

### *Management Representations*

I have requested certain representations from management that are included in the management representation letter dated November 15, 2024.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Russell County School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Russell County School District's auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

### Other Matters

I applied certain limited procedures to management's discussion and analysis and budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. My procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

I was not engaged to report on the budgetary comparison information on pages 53 and 54, or on the schedules of the district's proportionate share of net pension liabilities and other post-employment benefit plans on pages 55-56 and 59-61, or on the schedules of contributions to the County Employees Retirement System and Teachers Retirement System pension plans or the County Employees Retirement System and Teachers Retirement System other post-employment benefit plans on pages 57-58 and 62-64,



which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the information and use of Members of the Board of Education and management of Russell County School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

*Montgomery & Company, L.L.C.*

Certified Public Accountants

**APPENDIX C**

**Russell County School District Finance Corporation  
School Building Revenue Bonds  
Series of 2025**

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**Continuing Disclosure Undertaking Agreement**

## CONTINUING DISCLOSURE UNDERTAKING AGREEMENT

This Continuing Disclosure Undertaking Agreement ("Agreement") made and entered into as of February 4, 2025 by and between the Board of Education of Russell County, Kentucky ("Board"); the Russell County School District Finance Corporation, an agency and instrumentality of the Board ("Corporation") and the Registered and Beneficial Owners of the Bonds hereinafter identified as third-party beneficiaries to this Agreement. For the purposes of this Agreement "Beneficial Owner" means the person or entity treated as the owner of the Bonds for federal income tax purposes and "Registered Owner" means the person or entity named on the registration books of the bond registrar.

### WITNESSETH:

WHEREAS, the Corporation has acted as issuing agency for the Board pursuant to the provisions of Section 162.385 of the Kentucky Revised Statutes ("KRS") and the Corporation's Bond Resolution in connection with the authorization, sale and delivery of \$10,475,000 of the Corporation's School Building Revenue Bonds, Series of 2025, dated February 4, 2025 ("Bonds"), which Bonds were offered for sale under the terms and conditions of a Final Official Statement ("FOS") prepared by RSA Advisors, LLC, Lexington, Kentucky ("Municipal Advisor") and approved by the authorized representatives of the Board and the Corporation, and

WHEREAS, the Securities and Exchange Commission ("SEC"), pursuant to the Securities and Exchange Act of 1934, has amended the provisions of SEC Rule 15c2-12 relating to financial disclosures by the issuers of municipal securities under certain circumstances ("Rule"), and

WHEREAS, it is intended by the parties to this Agreement that all terms utilized herein shall have the same meanings as defined by the Rule, and

WHEREAS, the Board is an "obligated person" as defined by the Rule and subject to the provisions of said Rule, and

WHEREAS, failure by the Board and the Corporation to observe the requirements of the Rule will inhibit the subsequent negotiation, transfer and exchange of the Bonds with a resulting diminution in the market value thereof to the detriment of the Registered and Beneficial Owners of said Bonds and the Board;

NOW, THEREFORE, in order to comply with the provisions of the Rule and in consideration of the purchase of the Bonds by the Registered and Beneficial Owners, the parties hereto agree as follows:

### **1. ANNUAL FINANCIAL INFORMATION**

The Board agrees to provide the annual financial information contemplated by Rule 15c2-12(b)(5)(i) relating to the Board for its fiscal years ending June 30 of each year, commencing with the fiscal year ending June 30, 2025, to (a) the Municipal Securities Rulemaking Board ("MSRB"), or any successor thereto for purposes of its Rule, through the continuing disclosure service portal provided by the MSRB's Electronic Municipal Market Access ("EMMA") system as described in 1934 Act Release No. 59062, or any similar system that is acceptable to the Securities and Exchange Commission and (b) the State Information Depository ("SID"), if any (the Commonwealth of Kentucky has not established a SID as of the date of this Agreement) within nine (9) months of the close of each fiscal year.

For the purposes of the Rule "annual financial information" means financial information and operating data provided annually, of the type included in the FOS with respect to the Board in accordance with guidelines established by the National Federation of Municipal Analysts, and shall include annual audited financial statements for the Board in order that the recipients will be provided with ongoing information regarding revenues and operating expenses of the Board and the information provided in the FOS under the headings "OUTSTANDING BONDS", "BOND DEBT SERVICE", "DISTRICT STUDENT POPULATION", "LOCAL SUPPORT - Local Tax Rates, Property Assessment and Revenue Collections and SEEK Allotment". If audited financial statements are not available when the annual financial information is filed, unaudited financial statements shall be included, to be followed by audited financial statements when available.

The audited financial statements shall be prepared in accordance with Generally Accepted Accounting Principles, Generally Accepted Auditing Standards or in accordance with the appropriate sections of KRS or Kentucky Administrative Regulations.

The parties hereto agree that this Agreement is entered into among them for the benefit of those who become Registered and Beneficial Owners of the Bonds as third party beneficiaries to said Agreement.

## **2. MATERIAL EVENTS NOTICES**

Under the Rule, Section 15c2-12(b)(5)(i)(C), the following sixteen (16) events must be disclosed within ten (10) business days following the occurrence of said event to MSRB via EMMA and the SID, if any:

1. Principal/interest payment delinquency;
2. Nonpayment related default, if material;
3. Unscheduled draw on debt service reserve reflecting financial difficulties;
4. Unscheduled draw on credit enhancement reflecting financial difficulties;
5. Substitution of credit or liquidity provider, or its failure to perform;
6. Adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the securities, or other material events affecting the tax status of the security;
7. Modifications to rights of security holders, if material;
8. Bond call, if material and tender offers;
9. Defeasance;
10. Release, substitution or sale of property securing the repayment of the security, if material;
11. Rating change;
12. Merger, consolidation, acquisition or sale of all or substantially all assets of an obligated person, other than in the ordinary course of business, and the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to such action, other than pursuant to its terms, if material;
13. Bankruptcy, insolvency, receivership or similar event of the obligated person;
14. Successor, additional or change in trustee, if material;
15. Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material, and;
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

For purposes of this Agreement the term "financial obligation" means:

- (A) Debt obligation;
- (B) Derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or
- (C) Guarantee of paragraph (A) or (B) above.

Notice of said material events shall be given to the entities identified in this Section by the Board on a timely basis (within ten (10) business days of the occurrence). Notwithstanding the foregoing, the provisions of the documents under which the Bonds are authorized and issued do not provide for a debt service reserve, credit enhancements or credit or liquidity providers.

In accordance with Rule Section 15c2-12(b)(5)(i)(D), the Board agrees that in the event of a failure to provide the Annual Financial Information required under Section 1 of this Agreement, it will notify MSRB via EMMA of such failure in a timely manner.

The Finance Officer of the Board shall be the responsible person for filing the annual financial information and/or notices of the events set forth above within the time prescribed in this Agreement. The Board shall cause the Finance Officer to institute an internal tickler system as a reminder of the obligations set forth herein. By December 1 of each fiscal year and each 30 days thereafter the Finance Officer will contact the auditor for the Board to determine when the audited financial statements will be finalized. The Finance Officer will impress upon the auditor the necessity of having such audited financial report on or before September 15. Within 5 days of receipt of such audited financial report the finance officer will cause the annual financial information to be filed as required by this Agreement.

### **3. SPECIAL REQUESTS FOR INFORMATION**

Upon the request of any Registered or Beneficial Owner of the Bonds or the original purchaser of the Bonds or any subsequent broker-dealer buying or selling said Bonds on the secondary market ("Underwriters"), the Board shall cause financial information or operating data regarding the conduct of the affairs of the Board to be made available on a timely basis following such request.

### **4. DISCLAIMER OF LIABILITY**

The Board and the Corporation hereby disclaim any liability for monetary damages for any breach of the commitments set forth in this Agreement and remedies for any breach of the Board's continuing disclosure undertaking shall be limited to an action for specific performance or mandamus in a court of competent jurisdiction in Kentucky following notice and an opportunity to cure such a breach.

### **5. FINAL OFFICIAL STATEMENT**

That the Final Official Statement prepared by the Municipal Advisor and approved by the authorized representatives of the Board and the Corporation is hereby incorporated in this Agreement as fully as if copied herein and the "annual financial information" required under Section 1 hereof shall in summary form update the specific information set forth in said FOS.

### **6. DURATION OF THE AGREEMENT**

This Agreement shall be in effect so long as any of the Bonds remain outstanding and unpaid; provided, however, that the right is reserved in the Board to delegate its responsibilities under the Agreement to a competent agent or trustee, or to adjust the format of the presentation of annual financial information so long as the intent and purpose of the Rule to present adequate and accurate financial information regarding the Board is served.

**7. AMENDMENT; WAIVER**

Notwithstanding any other provision of this Agreement, the Board may amend this Agreement, and any provision of this Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 1, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the holders of the Bonds in the same manner as provided in the Bond Resolution for amendments to the Bond Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Registered Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Agreement, the Board shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Board. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a material event under Section 15c2-12(b)(5)(i)(C) of the Rule, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**8. DEFAULT**

In the event of a failure of the Board to comply with any provision of this Agreement, the Corporation may and, at the request of any Underwriter or any Registered Owner or Beneficial Owner of Bonds, shall take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Board to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an event of default under the Bond Resolution, and the sole remedy under this Agreement in the event of any failure of the Board to comply with this Agreement shall be an action to compel performance.

In witness whereof the parties hereto have executed this Agreement as of the date first above written.

**BOARD OF EDUCATION OF RUSSELL COUNTY,  
KENTUCKY**

Attest:

\_\_\_\_\_  
Chairman

\_\_\_\_\_  
Secretary

**RUSSELL COUNTY SCHOOL  
DISTRICT FINANCE CORPORATION**

Attest:

\_\_\_\_\_  
President

\_\_\_\_\_  
Secretary

**APPENDIX D**

**Russell County School District Finance Corporation  
School Building Revenue Bonds  
Series of 2025**

---

**Official Terms and Conditions of Bond Sale**

## **OFFICIAL TERMS AND CONDITIONS OF BOND SALE**

**\$10,475,000\***

**Russell County School District Finance Corporation  
School Building Revenue Bonds, Series of 2025  
Dated February 4, 2025**

**SALE: January 14, 2025 AT 11:00 A.M., E.S.T.**

As published on PARITY®, a nationally recognized electronic bidding system, the Russell County School District Finance Corporation ("Corporation") will until January 14, 2025, at the hour of 11:00 A.M., E.S.T., in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 200 Mero Street, 5th Floor, Frankfort, KY 40622, receive competitive bids for the revenue bonds herein described. To be considered, bids must be submitted on an Official Bid Form and must be delivered to the Corporation at the address indicated on the date of sale no later than the hour indicated. Bids may be submitted manually or by facsimile or electronically via PARITY. Bids will be considered by the Corporation and may be accepted without further action by the Corporation's Board of Directors.

Subject to a Permitted Adjustment\* increasing or decreasing the issue by up to \$1,050,000.

### **RUSSELL COUNTY SCHOOL DISTRICT FINANCE CORPORATION**

The Corporation has been formed in accordance with the provisions of Sections 162.120 through 162.300 and Section 162.385 of the Kentucky Revised Statutes ("KRS"), and KRS Chapter 273 and KRS 58.180, as a non profit, non stock corporation for the purpose of financing necessary school building facilities for and on behalf of the Board of Education of Russell County, Kentucky (the "Board"). Under the provisions of existing Kentucky law, the Corporation is permitted to act as an agency and instrumentality of the Board for financing purposes and the legality of the financing plan to be implemented by the Bonds herein referred to has been upheld by the Kentucky Court of Appeals (Supreme Court) in the case of *White v. City of Middlesboro, Ky.* 414 S.W.2d 569.

### **STATUTORY AUTHORITY, PURPOSE OF ISSUE AND SECURITY**

These Bonds are authorized pursuant to KRS 162.120 through 162.300, 162.385, and KRS 58.180 and are issued in accordance with a Resolution of the Corporation's Board of Directors. Said Bonds are revenue bonds and constitute a limited indebtedness of the Corporation payable from rental revenues derived by the Corporation from the Board under the Lease identified below. Said Bonds are being issued to finance improvements to Russell County High School (the "Project") and are secured by a statutory mortgage lien upon and a pledge of the revenues from the rental of the school building Project property to the Board under the Lease on a year to year basis; the first rental period ending June 30, 2025; provided, however, said lien and pledge are on parity with a similar lien and pledge securing the Corporation's School Building Revenue Bonds previously issued to finance or refinance the school building(s) which constitute the school building Project (the "Parity Bonds").

Should the Board default in its obligations under the Lease or fail to renew the Lease, the Registered Owners of Bonds have the right to have a receiver appointed to administer the school building Project but foreclosure and sale are not available as remedies.

The rental of the school building Project property from the Corporation to the Board is to be effected under a certain Lease Agreement by and between the Corporation and the Board (the "Lease"), whereunder the school building Project property is leased to the Board for the initial period ending June 30, 2025, with an option in the Board to renew the Lease each year at rentals sufficient to provide for the principal and interest requirements on the Bonds as they become due, plus the costs of insurance, maintenance, depreciation, and bond issuance and administration expenses; the Board being legally obligated only for the initial rental period and for one year at a time thereafter each time the Lease is renewed.



Under the terms of the Lease, and any renewal thereof, the Board has agreed so long as the Bonds remain outstanding, and in conformance with the intent and purpose of KRS 160.160(5), in the event of a failure by the Board to pay the rentals due under the Lease, and unless sufficient funds have been transmitted to the Paying Agent, or will be so transmitted, for paying said rentals when due, the Board has granted under the terms of the Lease to the Corporation the right to notify and request the Kentucky Department of Education to withhold from the Board a sufficient portion of any undisbursed funds then held, set aside, or allocated to the Board and to request said Department or Commissioner of Education to transfer the required amount thereof to the Paying Agent for the payment of such rentals.

### **ADDITIONAL PARITY BONDS**

The Corporation has reserved the right and privilege of issuing additional bonds from time to time payable from the income and revenues of said lands and school building Project property and secured by a statutory mortgage lien and pledge of revenues, but only if and to the extent the issuance of such additional parity bonds are in accordance with the plans and specifications which have been approved by the Board, Commissioner of Education, and filed in the office of the Secretary of the Corporation and a Lease shall be entered into whereunder the annual rental payments during the life of such additional bonds shall be increased by the amount of the annual principal and interest requirements of such additional bonds.

### **BOND MATURITIES, PRIOR REDEMPTION PROVISIONS AND PAYING AGENT**

All such Bonds shall be in denominations in multiples of \$5,000 within the same maturity, bear interest from February 4, 2025, payable on August 1, 2025, and semi annually thereafter and shall mature as to principal on February 1 in each of the years as follows:

| <u>Year</u> | <u>Amount*</u> | <u>Year</u> | <u>Amount*</u> |
|-------------|----------------|-------------|----------------|
| 2026        | \$125,000      | 2036        | \$ 480,000     |
| 2027        | 125,000        | 2037        | 495,000        |
| 2028        | 135,000        | 2038        | 515,000        |
| 2029        | 185,000        | 2039        | 535,000        |
| 2030        | 195,000        | 2040        | 725,000        |
| 2031        | 200,000        | 2041        | 750,000        |
| 2032        | 210,000        | 2042        | 780,000        |
| 2033        | 220,000        | 2043        | 945,000        |
| 2034        | 225,000        | 2044        | 1,420,000      |
| 2035        | 425,000        | 2045        | 1,785,000      |

\*Subject to a Permitted Adjustment of the amount of Bonds awarded of up to \$1,050,000 which may be applied in any or all maturities.

The Bonds maturing on or after February 1, 2034 are subject to redemption at the option of the Corporation prior to their stated maturity on any date falling on or after February 1, 2033, in any order of maturities (less than all of a single maturity to be selected by lot), in whole or in part, upon notice of such prior redemption being given by the Paying Agent in accordance with DTC requirements not less than thirty (30) days prior to the date of redemption, upon terms of the face amount, plus accrued interest, but without redemption premium.

Notwithstanding the foregoing, the Corporation reserves the right, upon thirty (30) days notice, to call the Bonds in whole or in part on any date at par for redemption upon the total destruction by fire, lightning, windstorm or other hazard of any building constituting the Project and apply casualty insurance proceeds to such purpose.

The Bonds are to be issued in fully registered form (both principal and interest). U.S. Bank Trust Company, National Association, Louisville, Kentucky, has been designated as the Bond Registrar and Paying Agent, shall remit interest on each semiannual due date to Cede & Co. Principal and interest will be payable through the Book-Entry-Only-System administered by The Depository Trust Company: Please see "BOOK-ENTRY-ONLY-SYSTEM" below. Interest on the Bonds will be paid at rates to be established upon the basis of competitive bidding as hereinafter set forth, such interest to be payable on August 1 and February 1 of each year, beginning August 1, 2025 (Record Date is the 15th day of month preceding interest due date).

## BIDDING CONDITIONS AND RESTRICTIONS

(A) Bids must be made on Official Bid Form, contained in Information for Bidders available from the undersigned or RSA Advisors, LLC, Lexington, Kentucky, by visiting [www.rsamuni.com](http://www.rsamuni.com) submitted manually, by facsimile or electronically via PARITY®.

(B) Electronic bids for the Bonds must be submitted through PARITY® and no other provider of electronic bidding services will be accepted. Subscription to the PARITY® Competitive Bidding System is required in order to submit an electronic bid. The Corporation will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by PARITY® shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in PARITY® conflict with the terms of the Official Terms and Conditions of Bond Sale, this Official Terms and Conditions of Sale of Bonds shall prevail. Electronic bids made through the facilities of PARITY® shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the Corporation. The Corporation shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by PARITY®. The use of PARITY® facilities are at the sole risk of the prospective bidders. For further information regarding PARITY®, potential bidders may contact PARITY®, telephone (212) 404-8102. Notwithstanding the foregoing, non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

(C) The minimum bid shall be not less than \$10,265,500 (98% of par) plus accrued interest. Interest rates shall be in multiples of 1/8 or 1/20 of 1% or both. Only one interest rate shall be permitted per Bond, and all Bonds of the same maturity shall bear the same rate. Interest rates must be on an ascending scale, in that the interest rate stipulated in any year may not be less than that stipulated for any preceding maturity. There is no limit on the number of different interest rates.

(D) The maximum permissible net interest cost for the Bonds shall not exceed "The Bond Buyer's" Index of 20 Municipal Bonds as established on the Thursday immediately preceding the sale of said Bonds plus 1.50%.

(E) The determination of the best purchase bid for said Bonds shall be made on the basis of all bids submitted for exactly \$10,475,000 principal amount of Bonds offered for sale under the terms and conditions herein specified, but the Corporation may adjust the principal amount of Bonds upward or downward by \$1,050,000 (the "Permitted Adjustment") which may be awarded to such best bidder may be a minimum of \$9,425,000 or a maximum of \$11,525,000. In the event of such Permitted Adjustment, no rebidding or recalculation of a submitted bid will be required or permitted and the Underwriter's Discount on the Bonds as submitted by the successful bidder shall be held constant. The Underwriter's Discount shall be defined as the difference between the purchase price of the Bonds submitted by the bidder and the price at which the Bonds will be issued to the public, calculated from information provided by the bidder, divided by the par amount of the Bonds bid. The price of which such adjusted principal amount of Bonds will be sold will be the same price per \$5,000 of Bonds as the price per \$5,000 for the \$10,475,000 of Bonds bid.

(F) If three (3) or more bids for the Bonds are received as a result of this competitive sale, the successful purchaser will be required to certify on or before the issue date the reasonably expected initial offering price to the public for each Maturity of the Bonds which prices are the prices for each Maturity of the Bonds used by the successful purchaser in formulating its bid to purchase the Bonds.

If less than three (3) bids for the Bonds are received as a result of this competitive sale, the successful purchaser, by submitting a bid pursuant to a published Notice of Sale, has agreed in writing that they will certify on or before the issue date (and provide reasonable supporting documentation for such Certification, such as a copy of the Pricing wire or equivalent communication) for each Maturity of the Bonds (i) the first price at which at least 10% of each Maturity of the Bonds was sold to the Public, or (ii) that they will neither offer nor sell any of the Bonds of each Maturity to any person at a price that is higher than the Initial Offering Price for such maturity during the Holding Period for such Maturity.

Bids will not be subject to cancellation or withdrawal by the bidder in the event that three bids are not received and the Issuer determines to apply the hold-the-offering-price rule.

For purposes of the above the following terms are defined as follows:

(a)  *Holding Period*  means, with respect to a Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the successful purchaser has sold at least 10% of such Maturity to the Public at prices that are no higher than the Initial Offering Price for such Maturity.

(b)  *Maturity*  means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(c)  *Public*  means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

(d)  *Sale Date*  means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is January 14, 2025.

(e)  *Underwriter*  means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

(G) The successful bidder may elect to notify the Municipal Advisor within twenty-four (24) hours of the award of the Bonds that certain serial maturities as awarded may be combined with immediately succeeding serial maturities as one or more Term Bonds; provided, however, (a) bids must be submitted to permit only a single interest rate for each term bond specified, and (b) Term Bonds will be subject to mandatory redemption by lot on February 1 in accordance with the maturity schedule setting the actual size of the issue.

(H) CUSIP identification numbers will be printed on the Bonds at the expense of the Corporation. The purchaser shall pay the CUSIP Service Bureau Charge. Improper imprintation or the failure to imprint CUSIP numbers shall not constitute cause for a failure or refusal by the purchaser to accept delivery of and pay for said Bonds in accordance with the terms of any accepted proposal for the purchase of said Bonds.

(I) The Corporation will provide to the successful purchaser a Final Official Statement in accordance with SEC Rule 15c2-12. A Final Official Statement will be provided in Electronic Form to the successful bidder, in sufficient time to meet the delivery requirements of the successful bidder under SEC and Municipal Securities Rulemaking Board Delivery Requirements. The successful bidder will be required to pay for the printing of Final Official Statements.

(J) Bids need not be accompanied by a certified or bank cashier's good faith check, BUT the successful bidder will be required to wire transfer an amount equal to 2% of the amount of the principal amount of Bonds awarded to the order of the Corporation by the close of business on the day following the award. Said good faith amount which will be forfeited as liquidated damages in the event of a failure of the successful bidder to take delivery of such Bonds when ready. The good faith amount (without interest) will be applied to the purchase price upon delivery of the Bonds. The successful bidder shall not be required to take up and pay for said Bonds unless delivery is made within 45 days from the date the bid is accepted.

(K) Delivery will be made utilizing the DTC Book-Entry-Only-System.

(L) The Corporation reserves the right to reject any and all bids or to waive any informality in any bid. The Bonds are offered for sale subject to the principal and interest not being subject to Federal or Kentucky income taxation or Kentucky ad valorem taxation on the date of their delivery to the successful bidder, in accordance with the Final Approving Legal Opinion of Steptoe & Johnson PLLC, Bond Counsel, Louisville, Kentucky, which Opinion will be qualified in accordance with the section hereof on TAX EXEMPTION.

(M) The Corporation and the Board agree to cooperate with the successful bidder in the event said purchaser desires to purchase municipal bond insurance regarding the Refunding Bonds; provided, however, that any and all expenses incurred in obtaining said insurance shall be solely the obligation of the successful bidder should the successful bidder so elect to purchase such insurance.

### **STATE SUPPORT OF EDUCATION**

The 1990 Regular Session of the General Assembly of the Commonwealth enacted a comprehensive legislative package known as the Kentucky Education Reform Act ("KERA") designed to comply with the mandate of the Kentucky Supreme Court that the General Assembly provide for as efficient and equitable system of schools throughout the State.

KERA became fully effective on July 13, 1990. Elementary and Secondary Education in the Commonwealth is supervised by the Commissioner of Education as the Chief Executive Officer of the State Department of Education ("DOE"), an appointee of the reconstituted State Board for Elementary and Secondary Education (the "State Board"). Some salient features of KERA are as follows:

KRS 157.330 establishes the fund to Support Education Excellence in Kentucky ("SEEK") funded from biennial appropriations from the General Assembly for distribution to school districts. The base funding guaranteed to each school district by SEEK for operating and capital expenditures is determined in each fiscal year by dividing the total annual SEEK appropriation by the state-wide total of pupils in average daily attendance ("ADA") in the preceding fiscal year; the ADA for each district is subject to adjustment to reflect the number of at risk students (approved for free lunch programs under state and federal guidelines), number and types of exceptional children, and transportation costs.

KRS 157.420 establishes a formula which results in the allocation of funds for capital expenditures in school districts at \$100 per ADA pupil which is included in the SEEK allotment (\$4,326) for the current biennium which is required to be segregated into a Capital Outlay Allotment Fund which may be used only for (1) direct payment of construction costs; (2) debt service on voted and funding bonds; (3) lease rental payments in support of bond issues; (4) reduction of deficits resulting from over expenditures for emergency capital construction; and (5) a reserve for each of the categories enumerated in 1 through 4 above.

KRS 160.470(12)(a) requires that effective for fiscal years beginning July 1, 1990 each school district shall levy a minimum equivalent tax rate of \$.30 for general school purposes. The equivalent tax rate is defined as the rate which results when the income collected during the prior year from all taxes levied by the district (including utilities gross receipts license and special voted) for school purposes is divided by the total assessed value of property, plus the assessment for motor vehicles certified by the Revenue Cabinet of the Commonwealth. Any school district board of education which fails to comply with the minimum equivalent tax rate levy shall be subject to removal from office.

KRS 160.470(12)(2) provides that for fiscal years beginning July 1, 1990 each school district may levy an equivalent tax rate which will produce up to 15% of those revenues guaranteed by the SEEK program. Any increase beyond the 4% annual limitation imposed by KRS 132.017 is not subject to the recall provisions of that Section. Revenue generated by the 15% levy is to be equalized at 150% of the state-wide average per pupil equalized assessment.

KRS 157.440(2) permits school districts to levy up to 30% of the revenue guaranteed by the SEEK program, plus the revenue produced by the 15% levy, but said additional tax will not be equalized with state funds and will be subject to recall by a simple majority of those voting on the question.

KRS 157.620(1) also provides that in order to be eligible for participation from the Kentucky School Facilities Construction Commission for debt service on bond issues the district must levy a tax which will produce revenues equivalent to \$.05 per \$100 of the total assessed value of all property in the district (including tangible and intangible property and motor vehicles) in addition to the minimum \$.30 levy required by KRS 160.470(12). A

district having a special voted tax which is equal to or higher than the required \$.05 tax, must commit and segregate for capital purposes at least an amount equal to the required \$.05 tax. Those districts which levy the additional \$.05 tax are also eligible for participation in the Kentucky Facilities Support ("KFS") program for which funds are appropriated separately from SEEK funds and are distributed to districts in accordance with a formula taking into account outstanding debt and funds available for payment from both local and state sources under KRS 157.440(1)(b).

KRS 160.460 provides that as of July 1, 1994 all real property located in the Commonwealth subject to local taxation shall be assessed at \$57,158 to be applied to fair cash value.

### **BIENNIAL BUDGET FOR PERIOD ENDING JUNE 30, 2026**

The Kentucky General Assembly is required by the Kentucky Constitution to adopt measures providing for the state's revenues and appropriations for each fiscal year. The Governor is required by law to submit a biennial State Budget (the "State Budget") to the General Assembly during the legislative session held in each even numbered year. State Budgets have generally been adopted by the General Assembly during those legislative sessions, which end in mid-April, to be effective upon the Governor's signature for appropriations commencing for a two-year period beginning the following July 1.

In the absence of a legislatively enacted budget, the Supreme Court has ruled the Governor has no authority to spend money from the state treasury except where there is a statutory, constitutional or federal mandate and the Commonwealth may be prevented from expending funds for certain state governmental functions, including the ability to pay principal of, premium, if any, and interest, when due, on obligations that are subject to appropriation.

The General Assembly recently adopted a budget for the biennial period ending June 30, 2026 which was approved and signed by the Governor. Such budget became effective beginning July 1, 2024. The Office of the State Budget Director makes available on its website monthly updates to the General Fund receipts and other Funds of the commonwealth. When published, the updates can be found at [www.osbd.ky.gov](http://www.osbd.ky.gov).

### **POTENTIAL LEGISLATION**

No assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax exemption of such interest. In addition, current and future legislative proposals, if enacted into law, may cause interest on state or local government bonds (whether issued before, on the date of, or after enactment of such legislation) to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the amount of interest on such bonds that may currently be treated as tax exempt by certain individuals. For example, on August 16, 2022, President Biden signed the Inflation Reduction Act of 2022 (the "Inflation Reduction Act"). The Inflation Reduction Act imposes a minimum tax of 15 percent of the adjusted financial statement income of certain corporations whose income exceeds stated thresholds for tax years beginning after December 31, 2022. Under the Inflation Reduction Act, interest on debt obligations otherwise exempt from federal income tax would be included in the calculation of adjusted financial statement income for corporations subject to the minimum tax. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation.

Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the IRS, including but not limited to regulation, ruling, or selection of the Bonds for audit examination, or the course or result of any IRS examination of the Bonds or obligations which present similar tax issues, will not affect the market price for the Bonds.

## **CONTINUING DISCLOSURE**

As a result of the Board and issuing agencies acting on behalf of the Board offering for public sale municipal securities in excess of \$1,000,000, the Corporation and the Board will enter into a written agreement for the benefit of all parties who may become Registered or Beneficial Owners of the Bonds whereunder said Corporation and Board will agree to comply with the provisions of the Municipal Securities Disclosure Rules set forth in Securities and Exchange Commission Rule 15c2-12 by filing annual financial statements and material events notices with the Electronic Municipal Market Access (EMMA) System maintained by the Municipal Securities Rule Making Board.

Financial information regarding the Board may be obtained from Superintendent, Russell County Board of Education, 404 S. Main Street, Jamestown, Kentucky 42629 (270.343.3191).

### **TAX EXEMPTION; NOT BANK QUALIFIED**

Bond Counsel advises as follows with respect to the Bonds:

(A) The Bonds and the interest thereon are exempt from income and ad valorem taxation by the Commonwealth of Kentucky and all of its political subdivisions.

(B) The interest income from the Bonds is excludable from the gross income of the recipient thereof for Federal income tax purposes under existing law and interest on the Bonds will not be a specific item of tax preference for purposes of computing the Federal alternative minimum tax, however, with respect to certain corporations, interest on the Bonds is taken into account in determining the annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

(C) As a result of certifications by the Board and the Corporation, indicating the issuance of MORE than \$10,000,000 of tax-exempt obligations during the calendar year ending December 31, 2025, the Bonds may NOT be treated by financial institutions as "qualified tax-exempt obligations" within the meaning of the Internal Revenue Code of 1986, as amended.

### **BOOK-ENTRY-ONLY-SYSTEM**

The Bonds shall utilize the Book-Entry-Only-System administered by The Depository Trust Company ("DTC").

DTC will act as securities depository for the Bonds. The Bonds initially will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond Certificate will be issued, in the aggregate principal amount of the Bonds, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. "Direct Participants" include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds ("Beneficial Ownership Interest") are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their Beneficial Ownership interests in Bonds, except in the event that use of the book-entry system for the Securities is discontinued. Transfers of ownership interest in the Securities are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co., effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Bonds to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments of the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' account on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Issuer, or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer or the Trustee, disbursements of such payments to Direct Participants shall be the responsibility of DTC, and disbursements of such payment to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Beneficial Ownership Interests purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Beneficial Ownership Interests by causing the Direct Participant to transfer the Participant's interest in the Beneficial Ownership Interests, on DTC's records, to the purchaser or the Trustee, as appropriate. The requirements for physical delivery of Bonds in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Bond Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered by the Bond Registrar.

NEITHER THE ISSUER, THE BOARD NOR THE BOND REGISTRAR/PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE BOND REGISTRAR/PAYING AGENT AS BEING AN OWNER WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PURCHASE PRICE OF TENDERED BONDS OR THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE BOND RESOLUTION TO BE GIVEN TO HOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

**RUSSELL COUNTY SCHOOL DISTRICT  
FINANCE CORPORATION**

By /s/Michael A. Ford  
Secretary



**APPENDIX E**

**Russell County School District Finance Corporation  
School Building Revenue Bonds  
Series of 2025**

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**Official Bid Form**

**OFFICIAL BID FORM  
(Bond Purchase Agreement)**

The Russell County School District Finance Corporation ("Corporation" or "Issuer"), will until 11:00 A.M., E.S.T., on January 14, 2025, receive in the office of the Executive Director of the Kentucky School Facilities Construction Commission, 200 Mero Street, 5th Floor, Frankfort, KY 40622, (telephone 502-564-5582; fax 888-979-6152) competitive bids for its \$10,475,000 School Building Revenue Bonds, Series of 2025, dated February 4, 2025; maturing February 1, 2026 through 2045 ("Bonds").

We hereby bid for said \$10,475,000\* principal amount of Bonds, the total sum of \$\_\_\_\_\_ (not less than \$10,265,500) plus accrued interest from February 4, 2025 payable August 1, 2025 and semiannually thereafter at the following annual rates, (rates on ascending scale in multiples of 1/8 or 1/20 of 1%; number of interest rates unlimited) and maturing as to principal on February 1 in the years as follows:

| <u>Year</u> | <u>Amount*</u> | <u>Rate</u> | <u>Year</u> | <u>Amount*</u> | <u>Rate</u> |
|-------------|----------------|-------------|-------------|----------------|-------------|
| 2026        | \$125,000      | _____%      | 2036        | \$ 480,000     | _____%      |
| 2027        | 125,000        | _____%      | 2037        | 495,000        | _____%      |
| 2028        | 135,000        | _____%      | 2038        | 515,000        | _____%      |
| 2029        | 185,000        | _____%      | 2039        | 535,000        | _____%      |
| 2030        | 195,000        | _____%      | 2040        | 725,000        | _____%      |
| 2031        | 200,000        | _____%      | 2041        | 750,000        | _____%      |
| 2032        | 210,000        | _____%      | 2042        | 780,000        | _____%      |
| 2033        | 220,000        | _____%      | 2043        | 945,000        | _____%      |
| 2034        | 225,000        | _____%      | 2044        | 1,420,000      | _____%      |
| 2035        | 425,000        | _____%      | 2045        | 1,785,000      | _____%      |

\* Subject to Permitted Adjustment

We understand this bid may be accepted for as much as \$11,525,000 of Bonds or as little as \$9,425,000 of Bonds, at the same price per \$5,000 Bond, with the variation in such amount occurring in any maturity or all maturities, which will be determined at the time of acceptance of the best bid.

We further understand that by submitting a bid we agree as follows:

If three (3) or more bids for the Bonds are received as a result of this competitive sale, the successful purchaser will be required to certify on or before the issue date the reasonably expected initial offering price to the public for each Maturity of the Bonds which prices are the prices for each Maturity of the Bonds used by the successful purchaser in formulating its bid to purchase the Bonds.

If less than three (3) bids for the Bonds are received as a result of this competitive sale, the successful purchaser, by submitting a bid pursuant to a published Notice of Sale, has agreed in writing that they will certify on or before the issue date (and provide reasonable supporting documentation for such Certification, such as a copy of the Pricing wire or equivalent communication) for each Maturity of the Bonds (i) the first price at which at least 10% of each Maturity of the Bonds was sold to the Public, or (ii) that they will neither offer nor sell any of the Bonds of each Maturity to any person at a price that is higher than the Initial Offering Price for such maturity during the Holding Period for such Maturity.

Bids will not be subject to cancellation or withdrawal by the bidder in the event that three bids are not received and the Issuer determines to apply the hold-the-offering-price rule.

For purposes of the above the following terms are defined as follows:

(a)  *Holding Period*  means, with respect to a Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the successful purchaser has sold at least 10% of such Maturity to the Public at prices that are no higher than the Initial Offering Price for such Maturity.

(b)  *Maturity*  means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(c)  *Public*  means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

(d)  *Sale Date*  means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is January 14, 2025.

(e)  *Underwriter*  means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

Electronic bids for the Bonds must be submitted through PARITY® and no other provider of electronic bidding services will be accepted. Subscription to the PARITY® Competitive Bidding System is required in order to submit an electronic bid. The Corporation will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by PARITY® shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in PARITY® conflict with the terms of the Official Terms and Conditions of Sale of Bonds, this Official Terms and Conditions of Sale of Bonds shall prevail. Electronic bids made through the facilities of PARITY®

shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the Corporation. The Corporation shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by PARITY®. The use of PARITY® facilities are at the sole risk of the prospective bidders. For further information regarding PARITY®, potential bidders may contact PARITY®, telephone (212) 404-8102. Notwithstanding the foregoing, non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

The successful bidder may elect to notify the Municipal Advisor within twenty-four (24) hours of the award of the Bonds that certain serial maturities as awarded may be combined with immediately succeeding serial maturities as one or more Term Bonds; provided, however, (a) bids must be submitted to permit only a single interest rate for each Term Bond specified, and (b) Term Bonds will be subject to mandatory redemption on February 1 in accordance with the maturity schedule setting the actual size of the issue.

The DTC Book-Entry-Only-System will be utilized on delivery of this issue.

It is understood that the Corporation will furnish the final approving Legal Opinion of Steptoe & Johnson PLLC Bond Counsel, Louisville, Kentucky.

No certified or bank cashier's check will be required to accompany a bid, but the successful bidder shall be required to wire transfer an amount equal to 2% of the principal amount of Bonds awarded by the close of business on the date following the award. Said good faith amount will be applied (without interest) to the purchase price on delivery. Wire transfer procedures should be arranged through U.S. Bank Trust Company, National Association, Louisville, Kentucky, Attn: Mr. Charles Lush, Vice President (502.797.6421).

Bids must be submitted only on this form and must be fully executed.

If we are the successful bidder, we agree to accept and make payment for the Bonds in Federal Funds on or about February 4, 2025 and upon acceptance by the Issuer's Municipal Advisor this Official Bid Form shall become the Bond Purchase Agreement.

Respectfully submitted,

\_\_\_\_\_  
Bidder

By \_\_\_\_\_  
Authorized Officer

\_\_\_\_\_  
Address

Total interest cost from February 4, 2026 to final maturity \$ \_\_\_\_\_

Plus discount or less any premium \$ \_\_\_\_\_

Net interest cost (Total interest cost plus discount) \$ \_\_\_\_\_

Average interest rate or cost \_\_\_\_\_ %

The above computation of net interest cost and of average interest rate or cost is submitted for information only and is not a part of this Bid.

Accepted by RSA Advisors, LLC, as Municipal Advisor and Agent for the Russell County School District Finance Corporation for \$ \_\_\_\_\_ amount of Bonds at a price of \$ \_\_\_\_\_ as follows:

| <u>Year</u> | <u>Amount</u> | <u>Rate</u> | <u>Year</u> | <u>Amount</u> | <u>Rate</u> |
|-------------|---------------|-------------|-------------|---------------|-------------|
| 2026        | _____,000     | _____%      | 2036        | _____,000     | _____%      |
| 2027        | _____,000     | _____%      | 2037        | _____,000     | _____%      |
| 2028        | _____,000     | _____%      | 2038        | _____,000     | _____%      |
| 2029        | _____,000     | _____%      | 2039        | _____,000     | _____%      |
| 2030        | _____,000     | _____%      | 2040        | _____,000     | _____%      |
| 2031        | _____,000     | _____%      | 2041        | _____,000     | _____%      |
| 2032        | _____,000     | _____%      | 2042        | _____,000     | _____%      |
| 2033        | _____,000     | _____%      | 2043        | _____,000     | _____%      |
| 2034        | _____,000     | _____%      | 2044        | _____,000     | _____%      |
| 2035        | _____,000     | _____%      | 2045        | _____,000     | _____%      |

Dated: January 14, 2025

\_\_\_\_\_  
RSA Advisors, LLC,  
As Agent for the Russell County  
School District Finance Corporation